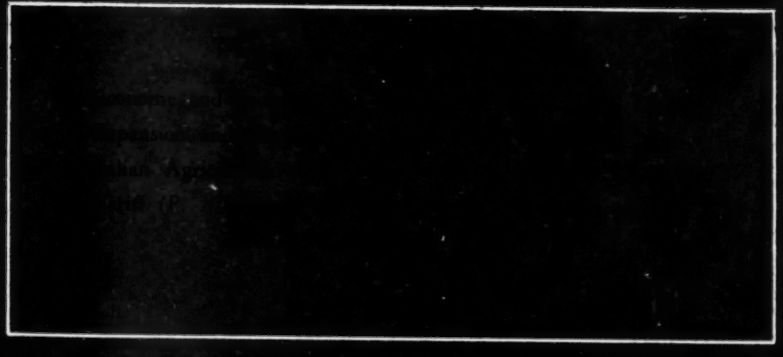
BANCA NAZIONALE DEL LAVORO
QUARTERLY REVIEW



ROME

BANCA NAZIONALE DEL LAVORO

HEAD OFFICE: ROME

VIA VITTORIO VENETO, 119

Condensed Statement of Condition, September 30, 1950

ASSETS (Lire)		LIABILITIES	
Cash, Balances with Banks & Money at call	79,619,926,110	Capital	1,150,000,000
Investments: Govt. & semi-Govt. Securities & Treasury Bills	25,136,939,293	Ordinary Reserve Fund	1,380,000,000
Investments: Other Securities	1,248,123,479		2,530,000,000
Contango, Advances on Securities & Loans	108,995,819,022	Deposits & Current Accounts (Including Balance of Profit & Loss)	224,063,939,846
Bills receivable & Re-discounts	57,771,534,241	Cheques in Circulation (*assegni circolari*)	9,670,917,831
Sundry Accounts	1,811,435,021	Bills for Collection	9,723,604,186
Premises, Furnitures & Fixtures	1	Guarantees & Acceptances for A/C of Customers	33,538,221,027
Customers' Liability for Guarantees & Acceptances	33,538,221,027	Sundry Accounts	22,090,389,902
	308,121,998,194	Staff individual Retirement Accounts	4,949,413,740
		Unearned Discount & other unearned Income	1,555,511,662
			308,121,998,194
Securities deposited by Third Parties	51,359,677,140	Depositors of Securities	51,359,677,140
Special guaranteed Accounts	11,652,747	Accounts guaranteeing special Accounts	11,652,747
Staff Assistance & Retirement Fund-Securities deposited by the Bank as Guarantee	4,618,695,985	Bank's Securities guaranteeing staff Assistance & Retirement Fund	4,618,695,985
	364,112,024,066		364,112,024,066

AUTONOMOUS SECTIONS FOR SPECIAL CREDITS

SECTION FOR CREDIT TO MEDIUM AND MINOR INDUSTRIES

Capital, Reserves and Government Guarantee Fund L. 2,297,100,000

SECTION FOR HOTEL AND TOURIST CREDIT

Aggregate Capital and Reserves L. 419,523,906

SECTION FOR CO-OPERATIVE CREDIT

Capital and Reserves L. 506,405,817 - Government Guarantee L. 2,000,000,000

SECTION FOR MORTGAGE CREDIT

Aggregate Capital and Reserves L. 252,454,962

SECTION FOR CINEMA CREDIT

Aggregate Capital and Reserves L. 453,628,521

BANCA NAZIONALE DEL LAVORO QUARTERLY REVIEW

Vo. III, No. 14, July-September 1950

SUMMARY

Prof. Corrado Gini, in his article « *Economy and Sociology* » — being his inaugural address to the 14th International Congress of Sociology held in Rome from August 30, to September 2, 1950 — analyses the reciprocal relations between the two sciences.

The Author takes as his starting point Vilfredo Pareto's position on general Sociology, which entails a fairly strict division between the two fields of scientific enquiry, and he calls attention to the new points of view that make it advisable to modify this approach.

On this connection, Prof. Gini emphazises, first of all, his distinction between that economic life, often held to be the normal « material » of economic science and which is only the expression of bourgeois economic organisation, and the economic life of other organisations based on fundamentally different conditions; in the second place, he notes the survival of these other forms of organisation in bourgeois society — which therefore is considered as an agglomeration of dissimilar elements.

The Author then makes a comprehensive study of the scanty observations gathered in a field other than that of the bourgeois organisation, which has hitherto been studied by several social sciences and more especially by Sociology. In his opinion this material should be elaborated and should find its place in the analytical economic schemata forming part of a discipline called « Integral Economics ».

The task assigned to « Economic Sociology » — of a synthetic nature — would seem to be a different one: *i.e* to point out the regularities of the economic conduct of individuals and of the economic structure of social groups as they occur in real life.

* * *

« A large part of modern economic doctrine proceeds in terms of aggregates. Aggregate demand, national income, aggregate investment, aggregate consumption, have become the conceptual tools of a growing number of economists; and the relationships between the prices of different commodities, and between prices and wages, are now largely neglected... For economists who think exclusively in terms of aggregates it is an easy step to the conclusion that all that is necessary to overcome unemployment is to raise aggregate money demand. This conclusion, combined with the assumption that the monetary and fiscal authorities always have control over the volume of aggregate demand in an economy, has produced a tendency to ascribe to these authorities a much greater power over the degree of employment than they actually possess ».

« The purpose of this article » — « *Wage Rates, Credit Expansion and Employment* », by F. A. and V. C. Lutz whose introductory remarks we are quoting — « is two-fold. First, it aims at dispelling a widespread misconception, the notion, propagated by popularisers of the views of Keynes, that *all* cases of unemployment can be successfully remedied by a monetary and fiscal policy aimed at raising the volume of aggregate demand. Secondly, it attempts to restate the conditions that are necessary if such a policy is to succeed in bringing about full employment ».

The analysis made by the Authors proceeds by reconstructing the genuine position taken by Keynes and by the examination of the more significant post-Keynesian developments on the importance of the *relative* movements of prices and wage-rates for the

success of a policy for reabsorbing unemployment, based on the expansion of credit and therefore of total demand.

Following in the wake of the classical tradition and of Keynes himself, the Authors confirm the importance of the price-wage rates relationship, making the necessary qualifications and reservations suggested by the growing refinement of economic research and by the evolution of real facts: « *except in the case of generalised surplus capacity*, employment can be raised by increasing aggregate money demand only if prices rise and real wages fall; ... if real wages are sticky, an increase in aggregate demand will only lead to inflation ».

This conclusion — argued with reference to a short run assumption, and illustrated by recent vicissitudes of British, American and Italian monetary policies — is extended by the Authors also to a long run hypothesis: « in order for the credit expansion to force the pace of the growth of the stock of equipment above what can be achieved on the basis of voluntary savings and foreign loans, ... the same conditions are required as for it to produce a significant increase in employment ».

* * *

In drafting the new Italian Customs Tariff, enacted in July 1950, there can be no doubt that — in the case of agricultural products — reasoned principles of a liberal trend have replaced the former autarkic protectionism, although the inescapable realities and transitional contingencies of the Italian economy have called for limitations of a free trade approach. Prof. Paolo Albertario, in his article « *Italian Agriculture in the Framework of the New Customs Tariff* », describes both the steps thus made in reducing the duties as compared to the peaks attained in the thirties, and the meaning and objectives of the protection granted to some branches of agricultural production, operated at higher than international costs, but fundamental for the stability of the Italian social and economic structure. In this regard, wheat farming, sugar-beet crops, olive-oil, and the production of meat and animal fats are specifically considered and their significance and problems outlined.

* * *

In Italy as elsewhere railway-traffic has been seriously affected in recent years by motor-vehicle competition and the financial position of the State Railways Administration has decisively worsened.

In his article « *The Railway Problem in Italy* », Dr. Glauco Della Porta states — with the help of statistical data — the case after the changes that have taken place in these recent years of post-war reconstruction. The Author considers that the railways cannot secure a balanced financial situation by the mere introduction of technical and administrative improvements and price manipulation. On the other hand he calls attention to the drawbacks and dangers of a throat-cut competition; and among the various alternative policies he advocates the adoption of measures for the coordination of rail and road services.

The Banca Nazionale del Lavoro assumes no responsibility for opinions or facts stated by authors whose contributions are published in the present Review.

All communications regarding the Review should be addressed to Banca Nazionale del Lavoro, Ufficio Studi, Roma, Via Vittorio Veneto 119.

Editor: Dott. Luigi Ceriani - Ufficio Studi, Banca Nazionale del Lavoro

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Stabilimento Aristide Staderini - Roma - Via Crescenzio, 2

Economy and Sociology (*)

by

CORRADO GINI

When the illustrious economist, Vilfredo Pareto, decided that the science to which he owed his fame was unable to account for human conduct and turned for a satisfactory description to Sociology, he called vivid attention to that antithesis between Economics and Sociology which is the subject of this address.

According to Pareto the insufficiency of Economics depended on the fact that it considers only *logical actions*, in which results correspond to the end in view, and neglects the *unlogical* ones which are in practice of decisive importance both for the behavior of the individual and of the social organisation.

The importance and the utility of the irrational in human conduct had indeed been long and duly recognised — even before the days of Erasmus; but Pareto was able to collect around this central idea an impressive body of facts which he used in building up a work that though not above criticism nevertheless represents undoubtedly a milestone on the path of the social sciences.

It would however be difficult to assert that he reached the goal and fully explained the reason of the insufficiency of traditional Economics.

It is indeed certain on the one hand, that economic theories leave generally out of account not only irrational acts but also many that may be quite rational, such for instance as illicit, violent and forced acts, and many others which, though included among those of free and legal action, cannot be valued in terms of objective measurement through exchange.

On the other hand it has been remarked — and the remark, if I mistake not, is of fundamental importance — that the correspondence between the object of an action and its result does not always mean that the action complies with a rationally preordained object, but it often depends on the fact that our mind

(*) The XIVth Congress of the International Institute of Sociology was held in Rome from the 30th August to the 2nd of September 1950. The President, Prof. Corrado Gini, delivered the inaugural address, which is reproduced here with minor adaptations.

Some twenty States had sent official delegations, and nearly 100 Universities, Societies and Scientific Institutes had notified their adherence or were represented. A total of about 300 students of the subject took part in the Congress either personally or by sending communications.

Among them we should mention: A. Poviña and R. Tecera del Franco (Argentina); W. Koppers (Austria); G. Hostelet (Belgium); M. Lins, F. M. Mangabeira (Brazil); R. Cervinka (Czecoslovakia); P. Troncoso Sanchez (Dominican Republic); J. Joergensen, P. Maigaard (Denmark); E.S.M. Badawi (Egypt); G. Bardet, H. Boissin, C. Bouthoul, G. Duveau, R. Grand, B. Lahy, A. Loyen, Ph. Périer, A. Sauvy, E. Sicard, D. Stambak, C. Tastevin (France); R. Binkmann, G. Mackenroth, W. E. Mühlmann, K. V. Müller, H. von Schelling, R. Thurnwald (Germany); E. Hayashi (Japon); S. S. Bajpaj, R. Mukerjee (India); D. Earthy, F. W. Robins, A. M. Stewart (England); G. Loyo (Mexico); R. Mac-Lean y Estenos (Peru); F. Govaerts Pereira (Portugal); T. Podea (Rumania); J. J. Alcorta, F. J. Conde, M. Fraga Iribarne, L. Legaz y Lacambra (Spain); G. Dahlberg Sweden); A. De Maday, M. Erard, J. Henninger, A. Koller, J. M. Lechner, J. G. Lossier, F. N. Péritch, A. Robinet de Cléry (Switzerland); F. Bernstein, I. Diggs, W. Ogburn, T. Sellin, Spengler, (United States of America); C. W. Wright (South Africa); Z. F. Findikoglu and H. Z. Ulken (Turkey); R. Caldera, N. Perazzo (Venezuela); E. Schulterbrandt (Virgin Islands); and — among the Italians — P. Biscaretti di Ruffia, G. Bolla, V. Castrilli, R. Corso, G. De Meo, A. De Pietri Tonelli, E. Di Carlo, L. Galvani, A. Giannini, M. S. Giannini, A. Groppali, V. Gueli, G. Lasorsa, F. Maroi, G. Mazzarella, G. U. Papi, C. Pellizzi, G. Perticone, G. Pompilj, R. Savorgnan, S. Sergi.

Over 160 papers were submitted to the Congress and they were distributed over three Sections: Section I dealt with demographic, urbanistic, rural, medical and biological matters; Section II considered general theoretical concepts and questions of method and economic, technical, and didactic problems; Section III discussed historical, ethnographical, archaeological and juridical matters.

A special full meeting of the three Sections was held to commemorate the eminent sociologists whose loss we have mourned in the period between the XIII and XIVth Congress.

The proceedings of the Congress are now being printed. They bring together the full text of the speeches, communications, and commemorations, as well as the minutes of the meetings of the Congress. They will be published in several volumes covering in all some 3.000 pages.

obligingly visualises an object so as to justify an action predetermined by instinct. Thus in such cases — of frequent occurrence — our action is only apparently logical or *rational*, but has in reality been *rationalised*, and the economist who theorises in and forecasts such part of our conduct as though it were ruled by reason is likely to meet with serious disappointment.

To understand the obvious inadequacy of the traditional science of Economics in interpreting and guiding human conduct in the critical war and post-war periods, it is important to note that its arguments are based on conditions existing in a normal economic society. It has been built up as a system of *Economic Physiology* which, however, cannot meet the requirements nor provide the means needed in abnormal times. Therefore the study of *Economic Physiology* must be supplemented and completed by the quite different one of *Economic Pathology*, whose essential outlines have been traced and are being further elaborated.

All these distinctions and integrations do not require the student to trespass beyond the boundaries of time and space enclosing our contemporary so-called bourgeois-societies. But those who have been in contact with other populations and other civilisations, and who by studying them have been enabled to understand the social organisations of the past, realise that the bourgeois economic organisation about which classic and neo-classic economic science argues, is not the only rational one. It is the rational one for the instincts, feelings, tastes and external conditions which have prevailed in western civilisations for the past century and a half, and to which most economists have been so accustomed that it has been the only one they have taken into consideration. But populations with other instincts, other feelings and other tastes, or living under fundamentally different conditions, will have a different rational behavior, but one which, judging by the principles of traditional Economics would be held to be anti-economic. This is the first point with which I shall deal in this address.

The second is that important remains of these other than bourgeois economic organisations survive in contemporary society, which is prevalently but not exclusively bourgeois in character; nor are the germs of future economic organisations missing. Therefore our bourgeois society is not a fundamentally homogeneous whole but an agglomeration of dissimilar elements.

These elements are, moreover, in continual evolution; some developing, others regressing, — and, in some cases, once more reviving.

This is another point to be developed. It is important, for if it be understood we shall be less tied to the traditional formulae and more willing to make use of the new experiments so frequent in this intensely dynamic age.

There are reasons — and I shall note them — which explain why it was only with the advent of bourgeois society that the science of economics could be built up. But the body of observations collected by the several social sciences on other forms of society both past and present, justifies, I believe, the hope that it will be possible to elaborate economic schemes in which the conditions prevailing in such social forms can be considered theoretically giving rise to a series of economic theories starting from diverse and sometimes opposite assumptions but which may all find a place, by the side of classic and neo-classic Economics, in the comprehensive framework of a discipline that I would call *Integral Economics*.

The task of *Economic Sociology* is another. Its character is not analytical but synthetic, not deductive but inductive, starting not from theoretical assumptions but from the observation of facts, and it aims at showing the regularities, in time and space, of the economic conduct of individuals and of the economic structure of social groups, as they occur in real life, being the resultant of a moltitude of factors past and present and, in so far as they can be foreseen, future, about which the several economic schemes devise particularised theories.

* * *

An essential difference between bourgeois society and the more or less developed social forms that preceded it and to some extent still survive, consists in the psychology of work.

There is every reason to believe that originally work was burdensome to man and that he only submitted himself to it when driven by necessity. When not coerced by his fellowmen, he worked only to the extent strictly necessary for assuring his life. Such is to-day the psychology of the primitive peoples that have survived since the dawn of the human race. Varying in race, social systems, religion, morality, and customs they all resemble one another in this particular, in refusing to work beyond what is strictly necessary for subsistence. Should lucky circumstances or the generosity of others place them momentarily in possession of goods exceeding their needs they suspend all work which they will resume to the strictly indispensable extent when they have used up their stock. They are in what may be described as an *animal stage of production*.

Hence the tendency to evade the burden of labor, placing it on the shoulders of others. When two groups of human being of unequal strength came into contact, the stronger compelled the less strong to work for him, or at least to undertake the heaviest work and, whenever he was able, the dominator was not satisfied with demanding from the labor force of the other what was strictly necessary for him, but required something more. Thus for the first time humanity produced something more than what was indispensable for living, rising from the animal stage of production to the stage of forced labor.

Many savage populations are still living in that stage and many more lived thus in the past, compelled to work more than the strictly indispensable subsistence minimum in behalf of other groups who had subjected and enslaved them. Such was still the stage reached by the societies of classic antiquity. The justification of slavery commonly given by the Greeks was based precisely on the impossibility of getting people to work under a system of freedom.

At this stage of society the greater willingness or the less repugnance to work is naturally a quality highly appreciated by the exploiting classes. Systematic selection, facilitated by training and strengthened by tradition, takes place among the workers and so from generation to generation there is a tendency to increase the stocks less averse to or more inclined to work. When the system of compulsion is interrupted after a relatively brief period the enslaved populations fall back into their previous primitive conditions; but when it endures for hundreds and thousands of years a new type of man is gradually formed to whom work is less laborious than it was to his ancestors. Even when free from the coercion of his fellow-men this new man is inclined to raise production beyond the mere subsistance level. He no longer works only to live; he works also to procure himself some enjoyment.

The new psycology of work assures production without need of coercion, and so slavery and servitude are abolished and the stage of forced labor is succeeded by the *stage of free labor*. At first free work is performed only on property of one's own because the ties binding one to it attenuate the toil. Thus crafts arise and the small operating land-owning farmer. The craftsman comes from the slave; the small land-owner from the serf. But little by little — as habit and selection gradually reduce the laboriousness of work — men are induced to work on goods owned by others, thus making undertakings possible.

Thus the bourgeoisie grows up, which in Europe, through the French Revolution, was to become the prevalent factor in society and to set its stamp on the whole XIXth century.

But yet another spring was to well up from the working masses, which was to give rise to a further stage in the psychology of work.

From the working strata most inured to hard toil, the more enterprising and adventurous elements, taking advantage of the improved means of communication, went across the seas to seek their fortune in the new lands across the Atlantic. In ever larger waves they submerged in the United States the representatives of the bourgeoisie and the gentry, who had been the first to land there, and who had by then organised themselves as an independent State. The severe tests to which they had been subjected in the mother country and the enterprising spirit which had led them to emigrate, combined to the attractions of the full life of the pioneer, to the stimulating influence of the new climate, to the abundant food resources obtainable from the virgin soil, to the progress of machinery which made productive activities

less fatiguing, all contributed to relieve still further the laboriousness of work, facilitating the rise of a new psychology which looks upon work as the normal expression of personality and one which, within certain limits, is therefore pleasurable. Thus the *stage of willing work* arises.

The Europeans who land in the United States are struck by the paroxism of activity prevailing there, where it seems that men do not work to live but live to work. The riots among convicts because they are not provided with work show that the heaviest punishment which in slave and even bourgeois societies was hard labor, has now become in the American working society that of forced idleness. The official or the professor, who in our countries looks forward to the day when he will be able to retire on an adequate pension, is there terrorised by the prospect of perpetual holidays awaiting him when reaching the age limit which often, we are assured, shortens his term of life.

Yet more marked is the difference between the American, representing the Far West, and the man of the Far East.

From the point of view of the psychology of work, the United States are in the vanguard of the Caucasian populations. This psychical difference is of such far-reaching social importance that one wonders whether one would not be justified in basing on it, rather than on trifling differences of pigmentation or skull formation, the partition of the Caucasian race, drawing a distinction between *homo orientalis, homo europaeus,* and *homo americanus.*

* * *

The evolution of the psychology of work is matched by the evolution of the psychology of accumulation.

Practically no accumulation takes place during the animal stage of production. Many primitive population are unacquainted with any forms of saving. They live exclusively from hand to mouth. This is generally the case with the populations of the tropical zones where seasonal changes are little felt or, in any case, do not interfere with the abundance of food or at least with the possibility of securing a subsistence, and where moreover the hot and often damp climate would make it difficult to store foods. Under such conditions primitive man, like the reptiles, eats as much food as he can when a favourable opportunity offers, and then digests it slowly while resting on the following days. It is said that some populations in times of famine removed from their excrementa the seeds of fruit eaten during the gathering season, thus obtaining « a second crop » as the Californian Indians, who are said to have had this habit, used to express it. This is certainly the most primitive — and involuntary — form of saving which recalls the cuprophagous habits common among rabbits and guinea-pigs.

In cold and temperate climates where putrefaction is less rapid, it is not necessary to consume immediately any surplus food and the primitive man who has killed a head of big game or made an exceptionally large catch of fish, need not force the capacity of his stomach but can set some aside for subsequent meals, as is done by many animals under similar circumstances. This is a passage towards the formation of seasonal stocks which are the first form of organised saving.

The passage of the season generally brings with it a periodical change in the sources of food. If in some season food supplies should fall short or fail altogether, the population could not survive had it failed to provide adequate stores. Even the most primitive populations are therefore accustomed to set aside part of the food available during the productive season so as to have a stock for the dead season, just as many animals do.

One cannot however yet speak of accumulation in the strict sense of the word, as such stocks are intended not for accumulation but for consumption within the year. Saving only leads to accumulation in the real meaning of the word when it is made to meet undetermined or at least uncertain needs, such as illness, invalidity, old age, or for the needs of the offspring, or when it is made under the impulse of an instinctive tendency.

This is found for the first time when the stage of forced labor had been reached. Consequently savings also are forced. They are set aside for the benefit of the race or the class or the individual who uses compulsion, often

in virtue of the authority derived from the strength of arms, or again from that arising from magic powers or the exercise of religious rites, and in that case the assignment of saving may be made not to an individual but to an institution, as is the case with the customary offerings or tithes assigned to temples.

In any case, the wealth thus accumulated is considered by those who dispose of it in a very different light from that in which bourgeois society considers private riches.

Those who can dispose of it can count on its constant renewal, so they do not attach importance to accumulating reserves. They are in a position similar to that of the primitive inhabitant of the tropics who counts on the abundance of natural products and does not feel the need of saving. Nor have they any interest in increasing, beyond necessary requirements, the wealth others accumulate for them, for they derive their authority not from its size but from the prestige their strength or their magic wisdom confer on them. Thus accumulation exists, but it is not of a progressive kind. Indeed it is in their interest to give away the wealth received so as to heighten their prestige more and more, and they do so by giving public festivities, public largess, public works. Substantially the use is much the same as that made by the modern State and the autarchic bodies, with this difference, that in primitive societies authority is not founded on law or on the will of the people legally expressed, but on prestige, whose basis is much more uncertain and changeable, and needs to be constantly strengthened. Thus wealth is used less for providing for purposes of general utility than for strengthening the personal prestige of those who can avail themselves of it. Social economy in the stage of forced labor is essentially an *Economy of prestige*.

The economy of prestige, however, does not come to a standstill at this stage, but continues and grows in the following stage of free work. Prestige, which was the prerogative of the upper classes, becomes, with the opening of this last stage, the ambition of the lower classes, who now have access to higher positions. To win prestige they have before them many ways: military valor, magical power, among some peoples eloquence, among others sanctity, among all wealth. It is not however given to all to become magicians or saints, heroes or orators; but all, or nearly all, can, by working, accumulate some riches.

Wealth — not yet as an end in itself, but as a means for acquiring prestige — thus becomes the mainspring of the social organisation, in the first stage of free work. Such it still remains among many peoples who by forced labor have raised themselves above their original primitive level but have not yet reached the further stage characteristic of bourgeois society. Although less efficient from the standpoint of accumulation and progress than the bourgeois organisation, still the stage of free work, based on prestige, generally operates very satisfactorily, in forms that differ from country to country and which are sometimes of great interest.

But the forced labor stage did not everywhere lead to an economy of prestige. In those countries where the governing classes were more numerous and more energetic, or were racially different or differed in beliefs and customs from the subject groups, these were excluded from rising and were thus denied the possibility of using the wealth they might have accumulated for acquiring prestige. Under these conditions wealth could only serve them as a means of securing material satisfactions which necessarily became the reason for accumulating riches. Thus, while in the governing classes the psychology of prestige persisted, and regulated the relations between them and the lower classes, and while under the influence of the governing classes it inspired the conduct of the State, the behaviour of the lower classes was regulated more and more by the desire for money.

Thus a composite economic system grew up which may be described as money-making economy set in the framework of an economy of prestige and dominated by it.

In Europe, in Abyssinia, in Japan, it took the form of feudalism. In the Ottoman Empire the place occupied under feudalism by the aristocracy was occupied by a bureaucratic or military offcialdom whose members were recruited from childhood from the subject class and whose relations both to the sovereign and to the people were based on a system of reci-

procal gifts, of which today we see the degenerate remains in *bakshish*, but which for centuries — to judge by the expansion of the Empire — operated efficiently.

The fate of these composite forms has varied from country to country.

In some poorer countries, separated from modern economic currents, as in Abyssinia, the system has persisted and substantially continues.

In most of the others, the subject classes, numerically increased by a higher rate of reproduction and by the greater efficiency of their system of earning, have ousted sooner or later the governing classes; but not everywhere with like effects.

In the Orient, probably owing to the milder compulsion exercised by the governing classes, the impulse to work has been less marked in the subject classes, while religious motives, a stronger attachment to tradition, the greater numerical importance of the descendents of the former governing classes have all favored the persistence of the system of prestige, leading to a mixed system in which the mainsprings of profit and prestige are both at work.

In the West, on the other hand, the money-making system has definitely prevailed, to such an extent that all that has remained of the system of prestige are some vestiges of no great importance still found in the sovereign families and the high nobility, and so in that case we may well talk of an *Economy of profit*. Many and varied circumstances have contributed to this result: the reaction against the contemplative life of the monastic orders brought about by the Reform, which led by contrast to the exaltation of work and, in some Churches, to conferring sanctity on wealth as the visible evidence of the divine favor; some inventions, such as the more efficient harnessing of draft animals and the introduction of the rudder in ships which, by enabling the better use of animal traction and of the propelling power of the wind, made the last vestiges of slavery and serfdom unnecessary; the more active traffic by land and sea and the great discoveries of new commercial routes and new Continents to which this gave rise, encouraging trade and increasing the prosperity and power of the merchant and other money-making professional classes; and lastly the exceptional numerical growth of the bourgeoisie which increased its importance as compared to the nobility, and the very important phenomenon, probably related to the high degree of fertility, of strong family ties which identified present personal needs with the future ones of the descendents, all combined to multiply the incentives to work and save.

These circumstances not only led to the triumph of the bourgeoisie in Western Europe, but their persistence and growing importance contributed to its demographic, economic, and political expansion. No less important was the contribution made by the greater efficiency of the profit system as compared to that of prestige due to the easier and safer accumulation of the material goods which are its object rather than the immaterial ones aimed at by the latter system. Thus, in the last resort, the profit system, spreading beyond Europe, was to invade the other Continents and permeate and shake, when it did not overthrow, the social system based on other conceptions, and it was to set its stamp on world economy in the century that came to be known as that of the bourgeoisie.

The European bourgeoisie, coming into contact with economically backward populations, either introduced its profit system among the governing classes of the countries with forced labor regimes or replaced them in their relations with the subject populations. Thus several secondary composite systems arose, of the former type in India, and of latter in the colonies and in South Africa, characterised in all cases by the circumstance that the relations between the upper and the lower classes were stamped by considerations of prestige.

Nor has it only been in our contemporary age that the profit system has prevailed: Athens and Rome offer well known historical instances.

In their case, the system was not viable because the huge accumulations to which it gave rise led to the corruption of private and public life and to what was perhaps a necessary antecedent condition, to the lowering of fertility, the weakening of family ties, the rupture of solidarity between the successive generations, and consequently not only to the cessation of all further accumulation, but also to the consumption or dispersion of wealth already accumulated. There are strong reasons for fearing

that a similar degenerative process will occur in our present bourgeois society, and in the opinion of many it has already begun.

Unlike what has happened in classic antiquity, our contemporary bourgeois society is not condemned to die without leaving heirs, because the stage of free work, based on profit, has this time lasted long enough to evolve the stage of willing work.

In the stage of willing work, production is in any case assured, even if only within certain limits, because the pleasure of working makes the stimulus of profit to some extent superfluous, and the incentive of prestige revives, giving rise to a social organisation which from many points of view has characteristics of its own, to which we have given the name of « *Labourist* » *Economy*.

The characteristic feature of the profit system that differentiates it from that of prestige, is the fact that the social consideration of professional activities is based on the returns they secure, so that the right of freely expanding to the extent most advantageous to each is recognised to all, whereas under the prestige system, a ranking order of social utility and dignity is established among the several activities under which only some may expand freely or are even favoured, while others are compulsorily limited.

The result is that the latter give rise to an offer of services which is inferior to the demand, while those who are authorised to exercise them secure monopoly profits and the permission to exercise them acquires a market value. Hence under the *ancien régime* in Europe as under the feudal régime in Japan, concessions were bought and sold. Japanese experience is particularly instructive as it shows that this system met the needs of the time, and when it was abolished it had to be revived, nor could it cease until the fetters that the traditional system, based on the army and on agriculture, placed on free expansion of the other professional activities, were removed.

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The need of creating a scale for measuring our satisfactions, and therefore of taking as basis the exchange value of goods, leads traditional economic theory to neglect a notable side of human conduct directed mainly towards securing intellectual and moral satisfactions and confers on it a materialistic character.

Even if this conception widen its consideration to take in all forms of satisfaction it cannot however be said that it exhausts all the aims of human actions. And here we should be on our guard against a misunderstanding that may arise from the double meaning of the word « satisfaction ». When we speak of « satisfying a wish » we mean to « gratify a wish »; but this does not mean that all our wishes are directed to procuring for ourselves a « satisfaction » in the sense of a « pleasure ». We do not live only to enjoy; the first purpose of life is to live; subject to that one may aspire to live pleasantly or to live intensely. This is true to-day, but it was much more so in the past. Now, traditional economic theory is based instead on the hedonistic principle; that is to say it assumes that the purpose of economic behavior is only that of procuring for oneself satisfactions. But if it be true that in bourgeois society this side of human conduct has really acquired such importance as to justify the belief that all other motives, when compared to that of securing satisfactions, are negligeable, this has certainly not be true in the past.

In the animal stage of production, man's purpose was to live. An economic theory desirous of describing human conduct in that stage of evolution might be called *Existentialist Economy*.

In the following stage of prestige economy the aim of life was above all that of expressing one's own personality. The exercise of power, the consequent competitions, the wars to which these often led, were certainly not devised to make life pleasant; but they made it exciting. Emotion may or may not be accompanied by satisfaction, but it may be desired independently of it as we see to some extent in the case of those who devote themselves to dangerous or painful sports, of those who like to witness tragedies or capital executions, of those who enjoy being turned topsy-turvy on switchback railways. We might oppose to the hedonistic economy that theorises on the profit

system, what might be termed the *Energetic Economy* that theorises on the prestige system.

The poor man's aim is to live, the bourgeois aims at enjoyment, the powerful man at dominating. The young seek above all emotions; men of ripe years satisfactions. In times of peace and calm human behavior aims at securing satisfactions; in periods of competition and war at asserting personality.

The bourgeois century was a period of peace and prosperity; and during that period the middle-aged groups acquired special importance in the demographic composition of the population and in social life. It is easy to understand that a theory based on the hedonistic conception of life was particularly well-suited to describe human behavior during such a period. The labourist psychology which has been growing up in recent years, implies instead the tendency to assert one's own personality so that, as we have seen, the prestige motive reacquires importance as compared to those of profit, while the shooting wars and now the cold wars polarize the attention of the populations on ideals other than those prevailing in times of peace. An ever larger sphere of human conduct thus conforms to an energetic conception of life. We must also add that for a long period, during and after the war, the living conditions of some populations were — if indeed they are not still — so precarious that only an Existentialist Economy could be applied to them and in the case of many their behaviour is still mainly informed by such ideas.

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Economic treatises hold it to be axiomatic that nobody works for nothing; which means that all people work to earn something. To work at a loss is therefore considered as an absurd supposition as such conduct would be anti-economic. But the fact is that from a rational point of view this last supposition is not absurd, nor is the former the only possible assumption.

Several suppositions may indeed be formulated under which work may be rationally justified.

It may be argued that:

(*A*) one may grow rich without working, but by working one grows richer. This is the more favorable hypothesis that occurs for instance, in the life of shepherds. It is likely that it may have occurred for whole people when they passed from the hunting to the pastoral stage of civilisation. Probably this is the stage of which tradition has preserved the memory as that of the legendary Age of Gold. The owners of large estates under extensive agriculture (latifundium) in many parts of the temperate zone now live under such conditions, and so do the capitalists who have invested their capital in gilt-edged securities;

(*B*) by not working one's economic conditions remain stationary and one must work if one wishes to grow richer. This is the hypothesis generally taken into consideration in economic treatises and which corresponds to the conditions of land-owners in the temperate zone;

(*C*) by not working one's economic condition deteriorates and in order to keep it up a certain amount of work is necessary. This is the condition obtaining for cultivators of the soil in tropical and equatorial areas where the forest rapidly advances on the cleared land unless it is checked by steady work. It is the condition that still prevails as a rule in bourgeois society in the case of commercial and industrial concerns which, if neglected, get out of hand and deteriorate. If, however, the work needed for keeping the concern in good order is negligeable as compared to that required to secure an increase of wealth, then this hypothesis may be compared to the previous one, from which it is practically indistinguishable;

(*D*) by not working a heavy deterioration of estate or personal efficiency is incurred, but by working it will only be possible to reduce or at most to even up the loss. In such cases one works at a loss, and it is quite reasonable and economically expedient to do so.

Thus many industrialists consent to work at a loss during a depression so as to avoid the heavier loss of letting the business run down as would be the case if work were interrupted. Most of the population works at a loss in times of war so as to avoid the still heavier loss of

life and liberty, or the economic consequences of confiscation.

The first three hypotheses may be considered as providing the basis of a *Progressive Economy*, the last of a *Regressive Economy*.

The traditional Economy is a progressive one. It may be said that not only does it picture correctly the conditions of the economic society of the bourgeois age, but also those prevailing during the evolution of human society, as is shown by the progress that has, in the long run, been made. But while it is true that the progressive stages of social evolution count for more than the regressive ones, it cannot be denied that the latter have had and may still have in the future also marked importance which makes them deserving of being taken into consideration by a scientific theory. And we are feeling just now that the possibility of such conditions is not merely a theoretical one.

It may be remarked that these regressive stages represent pathological periods and therefore belong to the situation already described as that of Economic Pathology. But it is not so. A condition may be called pathological which, if it persist, leads to the disintegration — we mean the rapid disintegration — of the organism. As a matter of fact all living organisms are destined in the long run to disintegrate. Were it not for this distinction, we should have to say that all organisms are always in a pathological condition, and there would be no difference between pathology and physiology. The fact is that, apart from real and proper pathological conditions, there are in the life of organisms normal phases not only of growth and stasis, but also of involution; they all are included in the field of physiology. Likewise, in the life of societies, Economic Physiology must consider not only progressive and stationary conditions, but also the regressive stages of the economic organisms.

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We have already observed that the theory of economics, in so far as it postulates on an objective measurement of goods, is essentially based on trade exchanges. It takes them for granted not only as a means of measuring values, but also as the basis of social relations. This has not always been and is not always the case. We have mentioned that there are primitive populations among whom social relations are maintained not on the basis of contractual relations but on that of gifts. But if these are made on the understanding, tacit or explicit, that another and moreover an equivalent gift will be received in exchange — as is the case with the populations referred to — the system has something in common with that based on exchanges. It has in common with them the *principle of reciprocity*.

Now, in the family group and in many other primitive communities, social relations are regulated fundamentally by a different principle, the *principle of solidarity*.

The landlord serves meals to his customers not because he is worried or distressed at their being hungry, but because he receives cash for his services; but the mother feeds her son not because he promises to reward her but because when her child is hungry she herself suffers.

In primitive communities of limited numbers the solidarity of interests and feelings among the members of the community is so strong that, as among the members of a family, anything affecting the prestige and the interests of one member affects likewise the interests and prestige of all.

In that stage of social organisation the criterion of reciprocity is nevertheless enforced in the extra-group relations — between large families, villages, or tribes, as one or the other forms the social unit. At first it takes the shape of presents, then of more definite contractual exchanges. That is because the ties of solidarity existing within the group itself do not exist between different communities. Gradually however as the community is enlarged and as the external pressure exercised by nature and by competing communities is relaxed, the internal solidarity between the members of the same group is also weakened and their social relations are increasingly regulated by the principle of reciprocity till a point is reached when, as is the case under present social conditions, it acquires such prevalence that it alone is taken into consideration by the traditional economic theories.

This is, therefore, an *Economy of reciprocity*, as distinct from what may be described as an *Economy of solidarity*.

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Let us recapitulate the main conclusions so far reached.

The aim of man is to secure by forced, free, or willing work, for reasons of prestige or profit, the means either of merely living, or else of living intensely, or of living pleasurably. He either counts on improving his position, or else is satisfied with maintaining it, or he adapts himself to worse conditions while seeking the means of improving them and has recourse for this purpose to relations of reciprocity or of solidarity. In any case his endeavour is to secure happiness, and he seeks to do so, as we have already noted, by satisfying his desires.

This is the assumption that lies at the foundation of all theories of traditional Economics, which may be defined as the science for the study of human conduct directed towards obtaining happiness through the satisfaction of a maximum number of desires. Traditional Economics offer the *positive solution* of the problem of life; we may call the assumption on which this solution is based the *activist postulate*.

But, as a matter of fact, that postulate is far from being self-evident, and the positive solution is debatable and is generally unacceptable to a large portion of mankind.

Even if we admit that, as a rule, every desire that is satisfied contributes to happiness, the fact remains — one may remark — that each unsatisfied desire contributes to unhappiness. Therefore we should endeavor to satisfy essential desires while preventing others from arising; we should live peacefully in a state of indifference, ignorance, simplicity, renunciation; returning hatred with benevolence; having recourse to force only in self-defence.

Such is the doctrine of Laotse which is at the basis of Taoism, one of the fundamental religions of the Chinese people. It offers the *negative solution* of life, based on a *postulate of renunciation*.

While the positive solution prevails in the West, the negative solution prevails in the East; but in the West also it has found and it finds advocates. Diogenes gave the example of the sage who sought the solution of the problem of life in minimising needs. Christianity at its origins preached the renunciation of earthly goods, and the hermits and the monastic orders sought happiness in renunciation. One can well conceive of an economic science which would study human conduct directed to securing happiness by eliminating a whole mass of desires. We might call it the *Economics of renunciation* as opposed to the traditional Economics of the West which represent the *Economics of effort*.

This theory is not limited to the conduct of the individual, but affects that of public bodies. Laotse dictated also the rules of economic policy: « The essential needs of the people must be satisfied, but care should be taken to avoid others arising. Therefore restrict to a minimum State intervention. Leave the people in ignorance. Avoid all progress on its part ». This program is the exact opposite of that pursued by the economic policy of the West.

Which side is right?

It may be remarked that the positive solution is the more advisable when the mass of desires that can be satisfied is more important than that of the desires that cannot be satisfied, but that, when the mass of unsatisfiable desires prevails, the negative solution is preferable. Were this the case we might expect that the positive solution would be adopted where natural resources are plentiful, making it easy to satisfy human desires, and the negative solution where they are scanty. But even a summary examination of the several populations shows that this expectation is not confirmed. Evidently some essential fact must have been neglected in formulating the aforesaid proposition.

An important factor which it neglects but which it is essential be taken into account, is the cost that the satisfaction of desires entails, a cost which may vary greatly with the psychology of work. Where work is found very laborious, the sacrifice it calls for reduces the wish to satisfy desires and induces to the acceptance of the negative solution of the problem of life, while the positive solution appears only natural when work is not found laborious or is even considered pleasurable. The negative so-

lution does indeed prevail where the psychology of forced work prevails, and the theory of renunciation may be considered as the rationalisation of that psychology.

But in addition to the cause of the satisfaction of desires, account must be taken of its results. The most impressive argument in favor of the theory of renunciation can be found in this. « Every desire satisfied gives rise to others, and the satisfaction of these in its turn causes others to appear. Thus the positive solution leads us to enter a vicious circle. As a matter of fact it is not a solution. The only solution worthy of the name is the negative one ». This is the reasoning on which Laotse's theory of renunciation is based.

It is undeniably logical; fearfully logical. And it is not surprising that it has been accepted by so many peoples. But it is not well founded, for it is based on an assumption that is not in keeping with facts. It represents the logic of the isolated individual. It takes no account of contacts with other individuals or it supposes at least that these contacts are always peaceful.

It is therefore a theory that holds good for hermits or the members of a religious fraternity if it be strong enough or so protected as to exclude outside violence, and so well regulated as to exclude violence from within. But it does not hold good for the life of the population as a whole. In that life the passive element is dominated by the active, the inert are defeated or eliminated by the enterprising; those who possess force and fail to use it lose it in the long run, and are subdued by those who make use of and develop it.

All this shows that the negative solution is not the one which incontrovertibly leads to happiness, but neither does it show that the positive solution is the best for that end. There may indeed be some who prefer to be dominated by other men rather than be the slaves of their own desires. Thus, even from this point of view the preference is subjective. I say « even from this point of view » because it is also subjective as the result of another factor which we have seen to be of decisive importance and which is represented by the psychology of work.

This explains how it is that in different times and in different countries the positive or the negative solution may be reasonably adopted. Where the psychology of work is backward, where the inclination to live a quiet life is strong, where the desire of independence is comparatively speaking weak, the negative solution of renunciation will prevail. Where an advanced psychology of work, the spirit of enterprise, intolerance of subjection to others, is that which characterises the population, the positive, activist solution will be accepted.

The positive one is the solution accepted by pioneers, by the aristocratic classes, by the dominating peoples. The negative is the solution of subject peoples, of the lowly classes, of the imitative. And as the élite are few and the mass of followers is large we can readily understand how the theory of renunciation can take hold of the masses and secure the upper-hand even among less passive populations during periods of decline and crisis, when the aristocratic classes degenerate or for some reason lose control of society. Thus, during the decline of the Roman Empire, Christianity spread.

But the subjective character which, as we have seen, distinguishes the two extreme solutions, shows the possibility of intermediate ones. And as a matter of fact, between the activist theory and the theory of renunciation there is ample space for more moderate theories and it is towards these that, under the pressure of vital needs, the extremist theories have been directed both in the West and in the East. Thus, in the West Christianity has in practice abandoned the plan of the renunciation of mundane possessions with which it started, and advocates their use with moderation, and in the East, side by side with Laotse's theory of renunciation, Confucius theory of the « golden mean » (*i. e.* golden moderation) has remained in honor. Undoubtedly, the moderate forms of Eastern thought have kept nearer to the theory of renunciation, and those of the West have kept nearer to the activist theory, and this is in conformity with the different psycology of work of the two races. Nor is this all: here and there the theories have been adjusted to the psychological gradations of the peoples. Thus the rise, among populations once Christian, of the Mahomedan religion has certainly been greatly favored by the solution of the

problem of life that the said religion maintains, which is nearer to the theories of renunciation and more in keeping with the indolent character of the populations of the Middle East and of Africa; while the peoples of Central Europe and the North, in leaving Rome to follow the protestant reform, acted on lines in keeping with the prevalence of that activist psychology which was to give rise to the technological progress of the Modern Era, to capitalism, and to the prevalence of the bourgeoisie, and which has found its theoretical expression in classical economics.

We can well imagine that between the *Economy of effort*, which studies human conduct seeking happiness through the satisfaction of a maximum of desires, and the *Economy of renunciation* which studies human conduct seeking happiness through the suppression of the maximum number of desires, there may be room for an *Economy of moderation* which studies human conduct seeking happiness through the satisfaction of a more or less large group of desires satisfying essential needs or needs of special utility, and the suppression of others, mainly or solely of a hedonistic description. And as the Economy of effort has provided the theoretical expression of bourgeois society, and the Economy of renunciation the theoretical expression of the economic life of societies that have not yet emerged from the stage of the psychology of forced labor, so the Economy of moderation might provide the theoretical expression of society in a median stage in the evolution of the psychology of work, such as that Europe experienced during the period of feudalism.

If, from the point of view of the individual, the preference given to one or other of the various solutions — activist, moderate, renunciative — thus seems to be a subjective one, from the collective point of view there can be no doubt that the activist solution represents, for the people who adopt it, a decided advantage in international competition. Those nations who endeavour most to satisfy their desires are those who make most progress in technology, who grow most in wealth and power, who expand, who dominate others in cultural, economic, and military life, who spread their psychology by example or impose it by force. This happened in antiquity in the case of Greece, Carthage, Rome. This is what happened in modern times in the case of Europe. But the effort is self-destructive; domination, if it does not cause, at least hastens, the declining parabola of the biologic cycle of the population. The dominating peoples lose their power of reproduction. Their place is taken by the subject peoples, who are characterised by a psychology of renunciation, or anyhow by a psychology of moderation. And the cycle starts all over again.

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What we have already said clearly shows how numerous and important are the limitations that the classic and neo-classic economic theories implicitly or explicitly have to accept when dealing with human conduct. These limitations are often so closely bound up with our mode of thought and with the social system to which we are accustomed that it is not easy to realise them fully. I myself have only realised them gradually and I am far from excluding the possibility that other limitations may be brought to light in the future. All this is evidence of the contingent nature of the conditions around which classic and neo-classic Economy has built up its theories.

Why — we may enquire — did not economic science arise earlier, even if with other characteristics?

It could not arise so long as mankind was in the animal stage of production, as the possibility of choice in human conduct was then too limited to give rise to the construction of a theory. Nor could it arise as an existentialist theory of economics, because all human conduct at that stage is — as the name implies — absorbed in the mere business of living: *primum vivere, deinde philosophari*. It could not arise when human conduct was still governed by relations of solidarity, because the social units were then too small and the behaviour of their members too uniform, and at the same time the relations between the several different communities were of negligeable importance. A few formulae left us by Laotse provide us with the basis of the economic theory of renunciation; this however is not enough to build up

a science on it. It would have been difficult for an economic science to arise as long as the main motive of human conduct was prestige, for the valuation of the goods which this leads is too subjective, nor could it be expected that a theory would arise among the masses who had no education and worked under a system of forced labour, directed by a minority inspired by principles of prestige.

An economic science could therefore only arise when, as a result of the bourgeois revolution, profit became the chief motive in the conduct of the governing classes and a system of free work was established. This is why the rise and growth of economic science are indissolubly connected with the triumph and consolidation of the bourgeois system and economic theory has therefore acquired the character of a bourgeois economy, i.e. a hedonistic, profit-making, activist economy based on reciprocity, under a system of free work and material progress.

Perhaps it unduly neglected that side of human conduct which is determined by the affections and by the love of excitement, a side which did not lend itself, or lent itself less, to objective measurement, while the short duration and range of the stages of economic regression in the past century account for the fact that so far no theory of a regressive economy has been elaborated.

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We should not forget the contingent nature of classic and neo-classic Economy when judging human conduct and the social institutions of other ages and other peoples. The mistake is often made of judging them to be anti-economic, understanding the expression to mean irrational. As a matter of fact, while they contrast with the notions of traditional Economics, those who study them more thoroughly perceive that they are in keeping with the economic conditions of their age and correspond to the needs and aims of the societies that adopted and maintained them.

The system of slavery is generally considered now-a-days to be anti-economic because — it is said — the yield of free work is higher than that of forced labor. But a free labor system supposes — as we have explained — a mass psychology other than that which led to slavery. Even in our days, Lenin felt the need of introducing for the Russian populations the system of forced labor because the incentive to work was not yet, in their case, sufficient. Nor can it be said that this system has proved less efficient than that of free work prevailing in the Western civilisation.

The waste of wealth in banquets, ceremonies, festivities that characterises the life of the mediaeval nobility and royalty and that still survives among more or less backward populations where an autocratic regime and a feudal organisation exist, has been judged anti-economic. But these practices are seen to be rational in the case of those who look upon wealth not as an end in itself or as a means of enjoyment, but as a means of acquiring and increasing one's prestige.

The limitations placed on commercial and industrial activities, and on the liberal professions, and their consequent subjection to public permission to exercise them seem anti-economic to those who give equal social importance to all forms of productive activity; not so to those who, as was the case for instance under the feudal system, considered the army and land ownership as the pillars of society and who therefore thought that the agricultural and the military professions were deserving of preference, and so checked the invasive trend of other activities.

The facility and rapidity with which primitive populations gave away objects that had been presented to them as gifts or in exchange, was quite incomprehensible to the Europeans who came in contact with them. They had apparently eagerly desired these objects and yet in a few days time the said objects had passed from hand to hand and had disappeared from the neighborhood. But this behaviour is seen to be perfectly natural when we take into account the close relations of solidarity which are at the basis of such societies which would make it seem unnatural not to make their fellows share in all available properties.

And what could be more anti-economic not only for the tribes that suffered from the practice, but also, in view of the inevitable reaction, for those who exercised it, than head-

hunting? or the human sacrifices that were a feature of the solemn celebrations of the Aztecs and, until recent times, of the Guinea Chieftains? What more anti-economic than the gladiator fights of old Rome? Such judgments are however based on the supposition that excitement, when it leads to the destruction of life or property, cannot be a rational object of human conduct. But evidently this holds goods neither in these nor in many other cases, as for instance in that of polar expeditions, or mountain climbing, and in that of many explores and of big game hunters. The scientific gains, and occasionally the economic, arising from them are only by-products; the essential purpose for which they are undertaken being undoubtedly the search for excitement. Nor can it be said that the behaviour to which they lead is always harmful to society; indeed this is shown by the decadence of the tribes to whom head-hunting has been forbidden.

Wars are looked upon as anti-economic *par excellence*, and military expenditures are by antonomasia called anti-productive. This evidently means that nothing is won by war. It is indeed true that now-a-days the case of a profitable war is less frequent than in the past. War profits may however take the form of booty seized or territory acquired, or new trade routes opened, or new opportunities for emigration secured. But apart from such possibilities, a war cannot be said to be anti-economic in the larger meaning of the term, if while impoverishing the population as compared to its pre-war condition, it has nevertheless improved it as compared to what it would have been had the war not been fought. Nor can one describe as anti-economic the often frequently feverish work performed to limit the losses caused by floods, eruptions, earthquakes, tidal waves, even if the ends in view have only been partially attained. Nor can one say that it is anti-economic to work at a loss if by so doing heavier losses are avoided, as may happen for instance in the case of manufacturers and merchants in periods of falling prices.

Viewed from the economic standpoint, the behaviour of hermits has been judged irrational when, leaving the world, they lead a life of hardship and poverty, and that of monks who relinquish most of the satisfactions and excitements of social life, but if a person prefers tranquillity to excitement or if social contacts bring him more deceptions than satisfactions, or if he can only hope to satisfy a small portion of the growing desires of the senses, it is comprehensible that it may be rational for him to renounce them all.

It is almost incomprehensible to the Western mind that it is possible to find in China persons willing to have their heads cut off in return for a small sum of money, and that negroes can be found in Africa who agree to be fattened up for some weeks so as to be served up later on as a dish at a banquet. But the fact is that as it is not absurd — considered exclusively from the rational standpoint — to cut short a life burdened by misfortunes, so it is not absurd that a person whose infelicity approaches the point when he would be willing to face death, is ready to face it if he can procure himself such satisfactions as that of having a glorious feed for a few days or that of leaving his children a small competence, which otherwise they could not have hoped to have.

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In our present-day bourgeois society large residues remain over from the past, and urgent omens loom ahead. If we call European — or rather West European — society « bourgeois », we mean that it is mainly bourgeois in character; if we describe bourgeois economy as hedonistic, profit earning, and activist, based on relations of reciprocity, in a regime of free work and material progress, we mean that these are its dominant, but not exclusive characteristics. The bourgeoisie is the class that has set its stamp on the social life of the European peoples from the time of the French Revolution until our own day, but as it is not the only class, it has not suppressed the conceptions of life proper to the aristocracy and to the people, nor has it been closed to the trends towards a different social settlement. On the margins of the geographic area formerly dominated by the bourgeoisie, in the United States of America and in Russia, the social system has already taken other and different directions, and the importance now acquired by these two political units for the fate of

mankind makes us wonder whether we should not consider that the age of the bourgeoisie is already nearing its end. Even in the countries of Western Europe, which may still be described as bourgeois, we find a whole scale of degrees in the importance that the residual remains of the past and the germs of the future assume in their life.

As to the psychology of work, we have already referred to the growing importance which in Europe also labourist psychology as differentiated from that of free work, is acquiring, among the classes in control of economic activities, and on the other hand we cannot blind ourselves to the fact that in many countries the lowest classes of manual workers — agricultural and industrial — live on the margin of the subsistence level because they refuse to work more than what is strictly necessary for going on. This is more especially manifest in such countries as those of the lower Mediterranean or in the corresponding latitudes of Asia and America where the climate is milder and life, even at the lower subsistence level, is found attractive. But as a matter of fact this psychology is one of the concomitant causes of the depression which in other countries also is characteristic of some areas and some social strata. Indeed, in many if not all the bourgeois countries, it is doubtful whether the free work psychology has ever been that of the numerical majority of the population. Nevertheless, economic life has been permeated by the free work psychology which was characteristic of the bourgeoisie and more especially of the entrepreneurs who, in bourgeois society, are the motor-power of economic life. There is therefore nothing surprising in the fact that in the countries where the psychology of willing work has come to the fore, it is this psychology which is more and more setting its stamp on economic activities and is conferring on American society, where it has reached its highest development, a character radically different from that of bourgeois society. Nor is it surprising that in countries like Russia where the entrepreneur classes were still so undeveloped that their free work psychology had not mastered the stationary psychology of the mass of the people who had only recently, and perhaps prematurely, emerged from the servile stage, the governing class have felt the need of a return to compulsory work for the expressed purpose of hastening progress towards the stage of spontaneous work.

The psychology of accumulation presents the same conditions. « Thrift » is the slogan regulating the conduct of bourgeois economy, the motto which has made it strong. But in bourgeois society there are still great masses — and in some countries they are still the majority — of propertyless people who possess nothing beyond what is strictly necessary to assure their existence. They descend from families that have never practiced thrift, because, even if we admit that theirs is a forced labor psychology, still it is certain that down the succession of generations in the great majority of cases there must have been some windfalls, which had they been saved, would have formed the basis of a capital fund however small. On the other hand, a large part of the aristocracy, with the royal families at their head, still base their conduct essentially on the lines of prestige. The notions that lay at the foundations of feudal life are still at the basis of their psychology. It is only yesterday that we read that the Japanese Prime Minister and the Administrative Bureau of the Imperial House have approved the appropriation of nearly 5 million Yen to « uphold the dignity » of the forthcoming marriage of the Emperor's daughter, although by her marriage she is forfeiting her royal rank, as her husband lost his title of Prince as a result of Mac Arthur's decree on the democratisation of Japan. The war may have ruined Japanese economy, the occupation may have reduced the Emperor's power to a mere semblance, Mac Arthur may have abolished the titles of nobility; but all this has not sufficed to change the mentality of the Japanese nobility for whom prestige is the purpose of life and the end to be served by wealth.

On the other hand, lavish spending — be it even wastful , as it is deemed by bourgeois mentality — which was anti-economic when production was essentially determined by the limited propensity to work and was not greatly affected by demand, leads to quite different results now. As a matter of fact, with the advance of the psychology of willing work,

production has come to be essentially regulated by demand, so that, under a system of trade exchanges, spending stimulates production. Thus Ford proclaimed the doctrine of « anti-saving » as against that of saving, and, as the influence of the working classes who have little or no inclination for thrift, gains ground in Europe, the anti-saving notion makes headway there also.

But among the bourgeoisie themselves, apart from productive activities as such, much of their conduct, though it must be described as economic, is inspired not so much by considerations of profit earning as by those of prestige. The presents made on the occasion of weddings, christenings, birthdays or name-days, for visits, celebrations and receptions, in short all that we call « social life » are essentially regulated by considerations of prestige.

Nor can it be said that the equal footing on which all profit-earning activities are placed in their relations with the State — which is held to be the most marked difference between the feudal and the bourgeois régimes — has ever been fully realised. The exercise of professions based — and more so in the past than now — on the personal reliability of those who exercise them, such as those of the pharmacist and the notary public, are still in many countries — and were yet more so in the past — subject to official permission. This has also been the case in the past — and is becoming still more so now — for professions which it is thought necessary to place under certain restrictions as otherwise they would encourage the spread of vice, such as public-houses, gambling houses, and bad houses. Government interference in the sphere of private activities gained ground under the authoritarian régimes and had spread the system of concessions to many manufacturing industries. Nor has the revival of democratic régimes led to the return to free private enterprise everywhere. In these cases the reason adduced for the limitation is that it is in the public interest not to increase beyond certain limits the number of undertakings engaged in certain branches of production, a reason similar to that which lay at the basis of the economic policy of the *ancien régime*. Besides these there are the licences required for opening shops selling goods on which the public authorities have monopolies or for preparing the raw materials required in their manufacture. In all these cases the licences acquire an economic value, which may become the object of sale and purchase transactions when they may be ceded to others, and they lend themselves to bribery and corruption if they are not regulated on exclusively objective lines but depend on the discretionary powers of officials. All this is renewing, even if on a reduced scale, the drawbacks that accompanied the systems of the former régimes in Europe and Japan.

The epithet of « hedonistic », applied to bourgeois economy, describes its main but not its exclusive character.

In all periods there have been people who desired from life excitement rather than satisfaction of wishes. The warrios and adventurers who swarmed in mediaeval society have almost disappeared from our bourgeois life, but sports, and above all violent sports — boxing and foot-ball, mountaineering and polar expeditions, aviation — have come into fashion. The mania for records is accounted for by the thirst for excitement which in our modern life accompanies the appetite for satisfactions. When we see not only the followers of sports but also the most pacific and inactive persons of both sexes and all ages become « fans », to use the current expression, of this or that champion, of this or that team, we can see that the evolution of human psychology in this field also has attained a general character. Another expression of the same mentality is to be found in the wide circulation of yellow novels, dramas, and films. Again when we see that in the policies pursued by Governments those justified by economic considerations rank second to those justified by ideological ones, as was the case under the authoritarian régimes and is now persisting with unallayed force under the régimes that have succeded them, we can clearly note the trend of mass mentality to shift from the plane of satisfactions to that of emotions. And a further proof of this may be seen in the importance the cold war is acquiring in international relations, a sure sign of the excitability of the populations.

There can be no doubt that even in the times in which modern economic society reflec-

ted most faithfully the bourgeois conception of life, not all earnings came from work, nor did work always secure earnings. « Conjuncture » earnings and losses always existed and there were always cases in which it was expedient to work at a loss; but the influence exercised by the « conjuncture » has been growing in importance — even in times of peace — with the growing prevalence of manufacturing industries in the realm of production, and in times of war and under post-war conditions it has become the decisive factor in determining business profits and losses. The fact that in this post-war period a theory has found wide acceptance that considers economic activities on the same footing as games is symptomatic.

Technological progress, the ever greater complexity and delicacy of manufacturing processes, the growing importance of good-will as a factor in business proceeds, the restrictions placed on the entrepreneur by social legislation, have had two wide-range effects.

One is that, before he can devote his energies to earning, a notable part of the work of the owner of a business has to be devoted to avoiding loss, as any slackening in his attention to its conditions almost always leads to deviation and disorganisation.

The other is that any interruption in production is much more injurious to the business than it used to be in the past, and therefore the expediency of continuing work at a loss occurs now much more frequently than formerly.

There can be no doubt that these circumstances are of notable social importance as they tend to make the personal interests of the entrepreneur coincide with the collective interest of the community, and the economic behaviour of the individual loses that eminently private character under which it appeared to the classic economist.

The current conception of modern economic organisation as that of an exchange economy based, as such, on principles of reciprocity, is only acceptable in the case of relations that exist outside the family group. And indeed, even in such cases, this does not always hold good, as actions inspired by charitable feeling and the desire to encourage the fine-arts are not governed by such principles. But in the family, actions are generally speaking characterised by feelings of solidarity; the work of each member is regulated not by his own but by the collective needs of the family, and individual consumption is not regulated by the value of the services rendered but by their respective needs. In short, families are regulated on definitely communistic lines, and those who reflect on the importance of the economic activities carried on in the family groups will be forced to conclude that human societies, even governed by systems held to be strictly individualistic and capitalistic, are, as a matter of fact, largely regulated on communistic principles.

This may lead to the conclusion that a substantial change in the individualistic or communistic forms of social organisation may be expected to arise from a variation in the more or less close ties of solidarity that bind together the component members of the societies. Certainly in primitive societies the solidarity between their members is much closer than in modern civilised societies, and the individual practically disappears before the claims of the community. Yet undoubtedly, with the advance of civilisation, economic activities inspired by individual interests have gradually come more and more to the fore, and it may be that classic Economy was set up as a science just at the time in which individualism reached its culminating point. Since then an inverse process has set in from many points of view, due to the more marked economic solidarity between the members of the several communities, and this process is obviously still going forward, nor is it easy to foresee at what point it will stop.

Even in modern times there have been in all Western countries those who have preferred the negative solution of the problem of life, inspired by the desire to follow the line of least resistance, rather than a positive solution, inspired by the desire to secure maximum results.

Even in periods of the most frenzied energy — perhaps indeed, owing to the love of contrast, more especially in such times — there have been hermits, and monastic orders have been founded. The example set by the man who may be described as the most powerful and undoubtedly one of the most activist mo-

narchs of the modern age, Charles V, who, at the height of his power, renounced all the comforts and splendor and prestige of imperial life to retire into a convent, is a significant symptom of the bi-polarity of the problem of life that stirs the human will.

It has been said that every Chinaman is, under favourable circumstances, a follower of Confucius, the philosopher who advocated great reforms, and a follower of Laotse, the philosopher of inaction, when circumstances are adverse. Watered down, this may truly be said of all men; and it is indeed only natural that man should tend toward active solutions when his activity can be rewarded by useful results, and towards negative solutions when only petty or negative results can be hoped for. But this holds good in very different degrees for different countries and different peoples.

The activist solution is that favoured in bracing climates; the negative one in relaxing climates. The activist solution was deified by the Puritans; the philosophers of the Far East were the theoreticians of the negative solution; the Mediterranean civilisations have harmonised the two trends in a philosophy of moderation.

It is very evident from all that we have said that contemporary economic society is far from forming a homogeneous whole, governed by uniform or at least consistent principles. A careful study shows that it is rather an agglomeration of diverse elements, differing in origin, inspired by separate and sometimes contrasting principles — elements that have moreover reached very different stages of evolution, some representing relics of the past that are gradually being eliminated (or sometimes, on the contrary, reviving), others containing germs that will develop in the course of time. This has probably been the case in all the societies of the past. The life of societies, like that of individuals, is a constant process of transformation, the result of the manifold forces of the past and of the present and, through forecasts, of the future. Modern society has also always been undergoing a process of transformation, though perhaps never so much as now, and if some tendencies — for instance those towards the enlargement of political units and that towards the development of economic solidarity within each unit — are readily apparent, the range and direction of others may be uncertain.

* * *

The bourgeois conception of economics, while it is an important, perhaps the most important, factor of modern economic society, is not the only one; it has, moreover, lost ground and seems destined to lose more and more.

We should add that classic and neo-classic economics have only considered, in their theoretical schemata, one simplified aspect of bourgeois society which from certain points of view disregards more or less completely illicit, violent, destructive, irrational actions and considers mainly, if not exclusively, the normal development of economic life.

It is then only too natural that the need has long been felt, and now increasingly so, of completing in length and depth the traditional economic theory.

Enquiry may be made in two directions.

First of all by studying and theoretically elaborating one by one the several conceptions and manifestations of economic life that traditional economics had neglected, wherever and whenever they appear in their simplest forms, thus developing by the side of traditional economics, new branches of science in opposition or juxtaposition to them.

Thus side by side with Economic Physiology, which is the phase to which traditional economics have substantially limited their studies, there has been outlined the study of Economic Pathology, to which the experiences of this post-war period are constantly providing new material.

It does not seem an easy task to elaborate an economic theory that would take into consideration only illicit, violent, destructive, irrational actions, but the possibility of taking such actions into account in a more comprehensive economic theory should be considered. The endeavor above referred to, which had so wide an echo, of picturing economic behaviour as comparable to the behaviour of a gambler, although from certain points of view it would seem unacceptable, represents,

nevertheless, from this point of view, an approach to reality.

Moreover, if the populations that passed through the animal stage of production, or that of forced labour, or of the economy of prestige were unable, for one or other of the reasons above noted, to build up a theory of their economic conduct, this is no reason why such a theory should not be elaborated by the present day Western students of economic science, who are now in possession of data referring to sundry countries and ages, as well as of means and aptitudes. Many economists and ethnologists have indeed studied in recent years the economic organisation of primitive peoples who are still in the stage of animal production, or in that of the economy of prestige. Nor has there been any lack of historical enquiry into the economics of the States of classic antiquity and of the Middle Ages, in which slavery and serfdom flourished, although — so far as I know — no attempt has yet been made to use this material in working out a systematic theoretical construction. A glance that I have given at Japanese economy in the period preceding the forced opening of that country to contacts with the Western World, suggests to me that the study of the economic literature of that period might be of the utmost value in illustrating the the working of feudal economy.

I believe that interesting work might also be done in other fields by elaborating the theory of the psychology of renunciation, of the ties of solidarity, of the conditions of a regressive society, of the energetic conception of life, in antithesis to the theories of the psychology of effort, relations of reciprocity, conditions of a progressive society, a hedonistic conception of life, which are at the basis of the traditional economic theories.

The direction outlined above is of an essentially analytical nature.

All the enquiries above suggested might be brought together under the inclusive title of *Integral Economy*. Side by side with Bourgeois Economy there would thus be the study of Existentialist Economy, Slave Economy, and Feudal Economy; beside the Economy of profit would find place the Economy of prestige; beside Progressive Economy, Regressive Economy; Hedonistic Economy would be accompanied by the study of Energetic Economy; the Economy of Effort would pair with the Economy of Renunciation and the Economy of Moderation; beside the Economy of Reciprocity that of Solidarity would be studied.

The other direction that could be followed is a synthetic one, studying the behaviour of individuals and of social groups, or the structure and evolution of the several institutes as they occur in real life, being the result of all the factors that are separately studied and theorized on in the analytical direction.

This is the task reserved to *Economic Sociology*.

Here again some results have already been obtained, but so far they are only fragmentary. We may mention the old law of the transition of society from a stage of fruit gathering, or hunting, or fishing, to an agricultural or pastoral stage, and then to an industrial stage, and later on to an industrial-commercial stage, and lastly to an industrial-commercial-banking stage; the other old law of the transition from barter economy to monetary economy, and from this to credit economy; the progressive enlargement of an economic unit from the family to the tribe, and from this to ever larger organisations, until we reach the League of Nations and the U.N.O.; the law of the transition from the productive system based on the slave to that based on the craftsman, and from this to that based on the wage worker, leaving aside the Marxian forecast of an ensuing state collectivism; the law of the rise from the animal stage of production to the stage of compulsory work, from which one passes, or will pass, to the stage of free work under the two forms of the prestige economy and the profit-earning economy, and finally from this to the stage of willing work under the labourist economy; the association of the profit-earning economy with progressive accumulation, and thence to the development of the modern forms of civilisation.

All these are laws of Economic Sociology, because they are established through the observation of social phenomena and deal with social phenomena that are related to wealth.

Sociology, by formulating these laws supplies economic science with a general framework within which the several economic bran-

ches can be dealt with in independent but harmoniously coordinated treatises. It is to be hoped that systematic enquiries will be undertaken on a large scale that will lead to the construction of a doctrine illustrating the actual economic behavior of man and his relations with the other activities of social life.

It has been remarked that science progresses by alternate stages, in one of which the main thing is the collection of facts, while in the other the facts thus collected are used as the basis for the construction of theories. There is a widespread impression that in many directions, and more especially in that of economics, enough — if not too much —time has been spent in developing theories about the facts collected by past generations on our Western societies, and that the time has now come for enlarging the field of vision and intensifying our observations in space and time. Of the observations already collected and of the new ones, account should be taken by attempting more comprehensive syntheses.

It is the purpose of this Congress to afford the students of Sociology and related sciences the opportunity of making their contribution in both these directions. Let me close my address by expressing the hope that the results of our meetings will serve this purpose.

Wage Rates, Credit Expansion and Employment

by

F. A. and V. C. LUTZ

A large part of modern economic doctrine proceeds in terms of aggregates. Aggregate demand, national income, aggregate investment, aggregate consumption, have become the conceptual tools of a growing number of economists; and the relationships between the prices of different commodities, and between prices and wages, are now largely neglected. Characteristic of this development is the Report on Full Employment by a committee of the United Nations, published late in 1949. The small attention which this report pays to the relationship between prices and wages contrasts with the crucial rôle attributed to that relationship not only by the classical writers but also by Lord Keynes.

For economists who think exclusively in terms of aggregates it is an easy step to the conclusion that all that is necessary to overcome unemployment is to raise aggregate money demand. This conclusion, combined with the assumption that the monetary and fiscal authorities always have control over the volume of aggregate demand in an economy, has produced a tendency to ascribe to these authorities a much greater power over the degree of employment than they actually possess.

The purpose of this article is two-fold. First, it aims at dispelling a widespread misconception, the notion, propagated by popularisers of the views of Keynes, that *all* cases of unemployment can be successfully remedied by a monetary and fiscal policy aimed at raising the volume of aggregate demand. Secondly, it attempts to restate the conditions that are necessary if such a policy is to succeed in bringing about full employment.

I. *Keynes and the Classics.*

It had generally been assumed, on the basis of the classical doctrine, that if money wage rates were flexible, *i.e.* if there were, in the words of Pigou, « thorough-going competition among wage-earners », full employment could always be achieved. The general reasoning behind this conclusion was that in each firm output proceeds to the point where price (under perfect competition) or marginal revenue(under imperfect competition) equals marginal cost, and since a reduction in money wages — brought about by the bidding for work of the unemployed — will lower the firms' marginal cost curves, it will also increase their optimum output and the amount of labour they employ. The Classics assumed that, with given technique and capital resources, marginal real costs would rise as more output was produced by combining more labour with those resources; or, in other words, that the marginal physical product of labour would fall as more labour was employed, and so therefore would the real wage or the remuneration of labour in terms of the product. The level of employment and the level of real wages (or the ratio of output prices to wage rates) were thus mutually dependent; and if, through collective bargaining contracts or minimum wage laws, the general level of money wages and therefore of real wages was set too high, part of the labour force would be unemployed.

Keynes challenged the classical argument that a reduction in money wages will always increase employment. The classical writers neglected to observe, he said, that in certain circumstances a general fall in money wage rates may cause prices to fall in the same proportion, as the result of the reduction in aggregate money demand. In that event there will be no fall in real wages and no increase in the volume of employment and output. There may thus be no way open to labour as a whole, says Keynes, by means of which it « can reduce its *real* wage to a given figure by

making revised *money* bargains with the entrepreneurs » (1).

Keynes proceeded to give his own account of the mechanism through which aggregate money demand would, given certain conditions, be prevented from falling in proportion to the reduction in money wage rates. His explanation ran in the following terms: the reduction in money wage rates would, in the first instance, lower the total wages paid to and received by those already employed; hence it would reduce the amount of cash required in the system for the « transactions » purpose; the cash thus set free would be available for satisfying the « speculative » motive and in consequence, given what he considered to be normal conditions, the interest rate would fall, and investment, and with it employment, would rise. The conditions that had to be satisfied in order for this mechanism to work were first, that the interest rate should not already be so low that it could not be lowered any further, and secondly, that investment should be responsive to changes in the interest rate.

Although Keynes thus conceded that a reduction in money wage rates would, given the appropriate conditions, lead to an increase in employment, he did not advocate a policy of reducing money wage rates as a cure for unemployment. He agreed with the Classics in one essential point, however. He believed that an increase in employment was necessarily associated with a change in the wage-price relationship or, in other words, with a fall in real wage rates. « In a given state of organisation, equipment and technique », he says, « the real wage earned by a unit of labour has a unique (inverse) correlation with the volume of employment » (2).

In Keynes' system this fall in real wage rates is brought about not by lowering money wages but by raising aggregate money demand. The increase in aggregate demand leads to an expansion of output; at the same time, since the cost curves are upward sloping, prices rise and, assuming constant money wage rates, real wages fall. Keynes favoured a policy of raising aggregate demand in preference to one of reducing money wage rates mainly for three reasons:

The first is that money wage rates are « sticky » downwards; under modern conditions they either cannot be lowered at all or cannot be lowered fast enough.

The second reason is that money wage rates are also, so he assumed, « sticky » upwards; wage-earners, although unwilling to work for lower money wages, are willing to accept lower *real* wages brought about by a rise in the prices of wage-goods. He considered this situation to be the *normal case*. He says: « reductions of real wages » arising from changes in the purchasing power of money « are not, as a rule, resisted unless they proceed to an extreme degree » (3). He thus regards the raising of prices through an increase in aggregate money demand, while hourly money wage rates remain constant, as a more practical method of achieving the same result as might in principle be achieved by lowering money wage rates.

The third reason given by Keynes for preferring one policy to the other is that falling money wage rates and prices, by leading to the expectation of further falls in the future, are likely to exert a depressing effect on the incentive to invest in the present. Continually falling wage rates, he says, will have an unfavourable effect on investment. The best thing would be an immediate large reduction to what is considered a bottom level; but this, he adds, is scarcely practical politics « under a system of free bargaining » (4).

The raising of aggregate demand can be achieved by the « orthodox » methods of monetary policy (*i. e.* by lowering the interest rate) provided the interest rate has not yet reached bottom level, and provided investment is elastic with respect to the interest rate. These two conditions are, we should notice, identical with those that would be required in order for a policy of lowering money wage rates to be successful in increasing employment. If they are not satisfied, only direct government expenditures, *e. g.* on public works, can secure the increase in aggregate demand.

As regards the first condition, flexibility of

(1) J. M. Keynes: *The General Theory of Employment, Interest and Money* (1936), p. 13.
(2) Ibid., p. 17.
(3) Ibid., p. 14.
(4) Ibid., p. 265.

the interest rate downwards, Keynes thought it conceivable that if the rate had already fallen to a level so low that people regarded it as an absolute minimum above which it was bound to rise again in the future, it could not be reduced further, since at that level every one would prefer to hold cash rather than a debt which yielded so low a rate of return. In that case the monetary authorities would lose control over the interest rate. « But », says Keynes, « whilst this limiting case might become practically important in future, I know no example of it hitherto » (5). As regards the second condition, the responsiveness of investment to the interest rate, Keynes believed that investment was elastic with respect to the interest rate, so that a fall in the latter would always increase investment.

There has been a tendency subsequently among economists, particularly in countries with low interest rates, to place more emphasis on the practical importance of the « limiting » case where interest rates could not be reduced any further, and also to minimise the influence of the interest rate on investment. Still more recently, however, there have been indications of a movement away from this latter view that the level of the interest rate has an insignificant influence on investment decisions.

II. *Developments after Keynes.*

Since Keynes' « General Theory » appeared the discussion has developed in a number of directions.

First, a more rigorous analysis has been made of the relationship between money wage rates and the level of aggregate money demand on the one hand, and the volume of employment on the other. We refer in particular to Pigou's « Employment and Equilibrium » (1941, second edition 1949), and Lange's « Price Flexibility and Employment » (1944). This literature is highly technical and we cannot here review it in detail. We need only point out that the most significant difference, as regards the problem we have been discussing, between this literature and the « General Theory » concerns the *mechanism* through which a reduction in money wage rates leads to an increase in employment. The broad conclusions are essentially the same: *i. e.* it is only under certain special conditions, mainly concerning the expectations of the entrepreneurs, that an appropriately large reduction in the level of money wages will fail to produce full employment. The emphasis remains on the impracticability of money wage reductions or on the difficulty of securing them rapidly enough.

Secondly, some economists have sought to show that it is not essential for real wages to fall as aggregate demand and output increases. Keynes himself acknowledged this as a possibility in an article (6) in which he answers attempts to show statistically that real wages have actually risen in periods of increasing activity rather than the other way round. He thought, however, that the statistical evidence was inconclusive, especially as other investigations had produced the opposite result. And although he agreed that *a priori* argument could show *possible* cases where real wages might rise as output increased, he thought that the *probability* of these cases arising in practice was small. We shall examine this point in some detail below.

A third line of thought has led to what we shall call the « degenerated » version of Keynes' theory. In its most popular form it is reduced to saying that all that is required to eliminate unemployment is an increase in aggregate money demand even if this is brought about by raising money wage rates. This version ascribes no importance at all to the *relative* levels of prices and wage rates on which Keynes himself laid so much emphasis. For what Keynes proposed was not that aggregate demand should be increased by raising money wage rates, but that aggregate demand should be increased without raising money wage rates, or without raising them proportionally . If they were raised proportionally, the attempt to achieve full employment would, he pointed out, be frustrated (7). The argument that an increase in purchasing power *per se* is the cure for unemployment is now, however, widely used by trade union leaders, particularly

(5) Ibid., p. 207.

(6) J. M. Keynes: *Relative Movements of Real Wages and Output*, Economic Journal, March 1939.

(7) *General Theory*, Chapters 20 and 21.

in the United States, in support of claims for wage increases.

The fourth development has been the increasing concentration, especially in the United States, on what is now called the «secular stagnation thesis» and on the policy recommendations associated with it. Keynes himself discussed the possibility of secular stagnation in the « General Theory », but did not think that it would arise in the very near future. American economists, in particular Professor Hansen, have elaborated the thesis; and the fear that secular stagnation is a real danger for the American economy has haunted academic as well as government economists. The essence of the thesis is that a highly industrialised economy, of which the population is not increasing rapidly, will reach a point where it is so well provided with capital equipment of all kinds that the remaining private investment opportunities are no longer sufficient fully to absorb, at positive rates of interest, the large volume of savings associated with the high national income of the economy. There will then exist a persistent tendency for the rate of saving to run ahead of the rate of investment thus reducing aggregate demand. As a result the national income (and with it employment) will fall, until it has reached a level low enough to reduce the volume of savings to an amount just sufficient to match the existing limited private investment opportunities. At this level of the national income the economy will be in equilibrium, but it will be an equilibrium characterised by permanent unemployment.

To deal with this situation it has been proposed that the government should close the gap between savings and private investments by public investments, and that it should use the taxing instrument to redistribute income in favour of the lower income groups whose propensity to save is low.

It may be doubted whether the danger of secular stagnation is a real one even for the United States. No practical signs of it have yet appeared. The greater danger appears to be that the policy recommendations for dealing with secular stagnation, which have been persistently urged upon the authorities over a number of years, and have already done much to contribute to the discouragement of economy in government spending and to the maintenance of artificially low interest rates, will be applied in a situation where no secular stagnation exists, and where their effect will be to create inflationary tendencies, or to aggravate those which already exist for other reasons. On theoretical grounds also the validity of the secular stagnation thesis is open to doubt (8). It is in any case clearly irrelevant to present day conditions in most countries, including those of Western Europe. In Italy, for instance, it is only too apparent that there is a scarcity of capital goods rather than a superabundance, that rates of interest are high, that the population is still increasing substantially, that the income per capita is low and the propensity to consume correspondingly high.

III. *Credit Expansion and Employment in the Short Run.*

Let us now return to the argument mentioned earlier that it is possible to absorb the unemployed, by increasing aggregate money demand, without a fall in real wages. Those who have held that real wages need not fall have based their argument on two principal possibilities: first that output can be expanded at constant (or falling) marginal prime cost, and secondly, that monopoly (or imperfect competition) is a prevalent condition in the economy, and that the degree of monopoly decreases as output increases.

In discussing the first possibility, we should remind the reader that we are at present arguing for the « short run », *i. e.* we assume a given state of organisation, technique and equipment. We are not now concerned with what may happen over the longer period as the capital equipment of the economy gradually expands, and as new and improved techniques are discovered. Our problem is to consider what will happen if we want to achieve an increase in output in the immediate future during which changes in the amount of equipment and in the state of technique can be of only insignificant magnitude. We may then distinguish two cases.

(8) Cf., for example, A. C. Pigou, *Employment and Equilibrium*, Chapter IX and Note to Chapter IX.

The first is one of *generalised* surplus capacity. This implies the existence not only of unused labour but also of unused equipment and surplus inventories, or, in Keynes' words, « perfect balance in the quantities of various unused resources » (9). Marginal prime costs may then be constant at least over a considerable range as output is expanded, and in some firms they may even be falling over some part of that range. Even here, however, we should notice that actual output is likely to approach capacity output in some lines faster than in others; this means that, as aggregate demand increases, rising costs and bottlenecks will sooner or later be encountered in some lines at least, and that (apart from possible exceptions for monopolistic conditions which we shall discuss below) prices in those lines will begin to rise.

The second case is that where, from the beginning, surplus capacity is either non-existent or « spotty » (*i. e.* confined to certain sectors of the economy). Here it is no longer true that increases in output can take place in all or almost all lines at constant (or falling) costs. In most lines it will be possible to achieve such increases only by drawing into use older and less efficient units of equipment, or by bringing into use units normally held in reserve for meeting breakdowns, or by working the units already in use for extra shifts. In any case costs will rise for one reason or another — the lower efficiency of the extra units, the increased stoppages for making repairs, the extra wear and tear on the equipment, leading to higher repair costs, or the higher wage rates which have to be paid for shift work. The ease with which output can be expanded will, of course, vary in different industries: in some costs will rise faster than in others. While, for example, in some industries it may be possible to introduce extra shifts, in others, which are for technical reasons already working continously twenty-four hours a day, this will be impossible. Thus, while at one extreme there may be industries in which output can be expanded, to some extent at least, at constant or almost constant costs, at the other extreme there may be industries in which it is not possible to increase production at all.

There remains the argument that even if costs rise as output increases, prices will not necessarily follow because, when imperfect competition or monopoly prevails over most of the economy, the degree of monopoly or of imperfection of competition (or the degree to which producers take advantage of it) may decrease as output increases. Here again we need to distinguish two sub-cases: the first is monopoly or monopolistic competition and the second is oligopoly.

Under monopoly, or more generally monopolistic competition, each firm regards itself as being faced by a downward sloping demand curve for its product, and it takes the shape and position of this curve as being approximately independent of its own price and output policy, and of the reactions of other firms to that policy. Now, if it is true that as aggregate demand increases the elasticity of the demand curves confronting the firms for their products also increases (so that a fall in the price asked by one firm enables it to capture demand from other firms more easily than before), the price which each firm will charge — in order to equate marginal revenue and marginal cost and thus maximize its profits — may fall instead of rising as output expands, despite the fact that the firm is on the rising part of its marginal cost curve. Those who contend that the elasticity of the demand curves will in fact increase (and that hence the degree of monopoly will decrease) as aggregate demand expands rely on the proposition that increasing wealth leads to a larger proportion of income being spent on luxury goods, for which the demand is more elastic than it is for necessities. On the other hand, it may be argued (10) that as people become better off they also become less sensitive to price differences, and are therefore less likely to shift their purchases from one firm to another on account of such differences; and this factor will work in the direction of increasing rather than decreasing the degree of monopoly as output expands.

In the second sub-case, that where oligopoly prevails, each firm cannot regard the demand

(9) *General Theory*, p. 300.

(10) Cf. R. F. Harrod: *The Trade Cycle* (1936), p. 86-7.

curve for its product as being even approximately independent of its own price policy: it has to take account of the possible reactions of other firms to a change in the price it charges for its product. Here prices are determined not by the rule that marginal revenue should equal marginal cost, but by the rule that price should equal the average « full cost » including a « mark-up » or profit margin. It has been contended that under oligopoly, because each firm fears that if it raises its price other firms will follow, prices are « sticky », and will not immediately rise in response to an increase in demand (and/or costs). It may equally well be argued, however, that the size of the mark-up or profit margin depends on the «discipline» of the group, and that an increase in demand is likely to strengthen the discipline and therefore to increase the degree of monopoly or the size of the mark-up (11); consequently prices may rise even faster than demand and costs.

Thus it would seem that, failing empirical evidence to the contrary, we are not justified in supposing that any general tendency exists for the degree of monopoly to decrease as demand and output increases, rather than the reverse, and that we cannot rely on this factor to prevent a fall in real wages.

On the basis of the preceding analysis we may distinguish three principal variants of the situation with which the authorities trying to increase employment may be faced.

The first is one where generalised surplus capacity exists, so that a considerable expansion in production can take place in almost all lines without increases in costs, and where such bottlenecks as may appear in the early stages of the expansion can be eliminated, for some time at least, by drawing in increased supplies of goods from abroad. This latter condition presupposes, of course, that the country under consideration has ample foreign exchange reserves, or can draw on foreign credits (12). So long as these « ideal » conditions, of generalised surplus capacity coupled with the possibility of drawing on foreign resources, exist, credit expansion is beneficial. The price level will not rise perceptibly, and output and employment can be increased without any perceptible lowering of real wage rates. It should be noticed, however, that even under these favourable circumstances a policy of credit expansion will not always succeed in increasing employment. For if, and so long as, the outlook of the entrepreneurs and the general public is pessimistic, the additional money may simply be hoarded, *i. e.* used to satisfy their liquidity preference, instead of increasing aggregate demand.

The second situation is one where surplus capacity is either non-existent or confined to certain sectors, and where bottlenecks cannot be eliminated through additional supplies from abroad. Under these conditions an increase in aggregate demand, through credit expansion, will lead from the beginning to a rise in the price level. Employment will increase provided money wage rates do not keep pace with the increase in prices, *i. e.* provided real wages are allowed to fall. In following an expansionist policy under these conditions account must, of course, also be taken of the repercussions of the price rise on the country's balance of payments position.

The third situation which we may distinguish is one where, as in the second, output cannot be increased at constant prices, nor can the price level be kept constant by drawing increased supplies of goods from abroad, and where *in addition* money wage rates are, in one way or another, tied to the cost of living index. In this situation credit expansion can, as Keynes himself pointed out (13), only lead to inflation without exerting any effect on the level of output and employment.

Which one of these three situations prevails in any country at any time is, of course, a question of fact. And in any particular instance some of the relevant facts may be difficult to ascertain. Thus, for example, it may be difficult to determine over how wide an area of the economy output can be expanded at constant prices. About one point, however, there seems to be little doubt. Whereas Keynes assumed it to be a fact — which indeed he

(11) Cf. Oscar Lange: *Price Flexibility and Employment*, p. 41.

(12) Precise reasoning leads, however, to the conclusion that some price rises will usually be necessary in order to induce imports of those goods in which shortages have begun to develop at home.

(13) *General Theory*, p. 284.

made one of the cornerstones of his analytical structure — that wage-earners do not insist that money wage rates should keep pace with increases in the cost of living, it is becoming increasingly apparent that this assumption is invalid for modern conditions. In most countries where free collective bargaining still prevails to-day, it is true that even if the tie-up between money wages and the cost of living does not formally apply over the whole of industry, it applies in certain key industries, and wage increases in these industries tend to set the pace for increases in the others. This fact inevitably has the effect of severely restricting the number of practical cases in which credit expansion will be an effective remedy for unemployment.

IV. *Illustrations.*

Empirical observation shows that credit expansion has been successful in achieving or maintaining full employment in some cases and unsuccessful in others.

A state of full, or even over-full employment has existed during and since the war in the so-called « controlled » economies, *e. g.* those of Great Britain, Holland, Norway, Sweden and Denmark. We shall here single out the British case for a short discussion.

In the years 1940 to 1946 the money supply in the British economy expanded rapidly. From 1947 on the annual rate of expansion was small (see Table 1). Nevertheless, government representatives, economists and journalists, in the years 1947 to 1949, rightly warned the public that strong inflationary pressures continued to exist in the British economy. These pressures emanated less from the slight increase in the money supply which took place in those years than from the overabundance of money that had been created in the preceding years. Part of this money had been held in idle cash balances, which the holders could be expected to spend as soon as the relaxation of physical controls permitted. A rough calculation of the income velocity of money indicates both the existence of large idle balances at the end of war, and the tendency for these balances to be spent during the past three or four years. The income velocity (calculated as the national income at factor cost (14) divided by the total volume of money), which was 2.83 on the average in 1938, had fallen to 1.66 in 1946, but had climbed back to 1.97 in 1949.

TABLE I

TOTAL MONEY SUPPLY IN THE UNITED KINGDOM DURING AND AFTER THE WAR
(*milliards of pounds sterling*)

Year	Money Supply (yearly average)
1938	1.64
1939	1.79
1940	2.21
1941	2.72
1942	3.14
1943	3.56
1944	4.07
1945	4.42
1946	4.96
1947	5.04
1948	5.12
1949	5.19

Source: International Monetary Fund, International Financial Statistics, June 1950, p. 126.

The British economy, in these postwar years, has often been described as one in which « too much money was chasing too few goods ». Indeed, ever since the beginning of the war aggregate demand has increased more rapidly than the physical volume of production, with the result that prices have risen continuously. The wholesale price index, which stood at 95 on the average in 1939, had risen to 212 in 1949. Thus rationing and price controls did not succeed entirely in suppressing the inflationary effects of the excessive creation of money during the war and immediate postwar years.

(14) The figures for national income at factor cost are: 1938 Lst. 4,638 million; 1946 Lst. 8,249 million; 1949 Lst. 10,226 million. If, alternatively, we base the calculation on the figures for gross national expenditure at market value (1938 Lst. 5,728 million; 1946 Lst. 10,197 million; 1949 Lst. 12,834 million) we obtain as our velocity figures: 1938 3.50; 1946 2.06; 1949 2.47. If we base the calculation on the figures for gross national expenditure at market value *plus* the deficit in the balance of payments on ordinary current account or, that is, *plus* the net amount received from abroad from gifts, loans and sales of assets (of which the totals are: 1938 Lst. 5,798 million; 1946 Lst. 10,567 million; 1949 Lst. 12,904 million), we obtain as our velocity figures: 1938 3.53; 1946 2.13; 1949 2.49. The movement is thus the same whichever method of calculation we use. (The income and expenditure figures are taken from *National Income and Expenditure of the United Kingdom 1946 to 1949*, April 1950, Cmd. 7933).

The overabundance of purchasing power in the hands of the public was undoubtedly one of the principal reasons why a state of full employment could be maintained during those years. In order to complete the explanation of the success of Britain's full employment policy we need, however, to consider a number of other factors. Let us look first at the movement of wage rates.

The British government abstained even during the war from fixing wage rates. It advocated a policy of voluntary restraint on the part of the individual trade unions. After the devaluation of the pound in September, 1949, the Trades Union Congress (acting in support of the policy advocated by the government) tried to obtain a more formal undertaking from its affiliated unions to suspend sliding scale arrangements, and to refrain from asking for wage increases for one year unless the cost of living index rose beyond a certain figure (allowing an increase of between 4 and 5 per-cent over the initial figure).

TABLE 2

INDICES OF WAGE RATES AND COST OF LIVING IN GREAT BRITAIN

Date	Index of Wage Rates	Index of Cost of Living
	(Sept. 1939 = 100)	
July 1940	113	121
» 1945	150	134
» 1946	163	132
» 1947	167	131
	(June 1947 = 100)	
January 1948	104	104
July 1948	106	108
January 1949	108	109
» 1950	110	113

Source: S. R. DENNISON: *Wages in Full Employment*, Lloyds Bank Review, April 1950, pp. 20 and 22.

The figures in Table 2 seem to indicate that up to, and including, the year 1947 the policy of voluntary restraint was not successful: wage rates rose more rapidly than the cost of living index, *i. e.* it appears that real wages increased. Only from January, 1948 on is a small fall in real wages noticeable. There are, however, several reasons why these figures cannot be taken at their face value.

First of all, the old cost of living index (used in Table 2 up to 1947) was based on working class expenditures before 1914. The « basket of goods » which a typical worker bought in the 'forties was, naturally, very different from the basket he bought in 1914. « A recalculation, taking account of the changed pattern of consumption, shows that by 1945 the cost of living of working-class families had risen not by the 30 per cent. of the official index but by about 50 per cent » (15). If this is true, real wage rates actually declined, on this account alone, during the war years, and remained roughly stable in 1946 and 1947.

Secondly, the cost of living index does not reflect the quality deterioration of the goods which took place after 1939.

Thirdly (and most important), the index does not and cannot register the effects of the rationing system and of changes in it. The rationing of many consumers' goods in Great Britain reduced the individual's freedom of choice in the spending of his income, and restricted the satisfaction which he could obtain from a given money wage. This has made it impossible (for trade union leaders as well as others) to measure changes in real wages with any accuracy. The rationing system has also enabled the government to control more or less rigidly (according as it tightened or relaxed the rationing controls) the real living standards of the wage-earners. Money wage increases do not necessarily mean increased living standards (even if the cost of living index remains stable) provided the physical controls over consumption are tightened simultaneously; and stable money wages are quite compatible with rising living standards if the controls are relaxed.

Summarising, we may say that the inflationary conditions prevailing in the British economy, the restraint exercised by the trade unions in their demands for wage increases (particularly after the devaluation of the pound), and the government's control over living standards through rationing, have all been instrumental

(15) S. R. DENNISON: Loc. cit., p. 21.

in helping to preserve a state of full employment in Great Britain.

It is doubtful, however, whether all of these conditions will continue to prevail in the future. The policy of stabilising money wages, followed more or less successfully since the devaluation, is in process of breaking down. The Trades Union Congress General Council acknowledged in June, 1950 that its policy of « rigorous restraint » on the basis of an accepted formula had become unworkable (16), and that all that it could now do was to urge the individual unions to exercise voluntary restraint. A large number of wage claims was already outstanding at that time. If all of these and more are pressed in the future, the result may be both to imperil the level of employment and to create inflation, unless the government either imposes a « national wages policy » to take the place of collective bargaining, or again tightens the rationing controls which it has been progressively relaxing since the spring of 1949.

It is not difficult to point to practical instances where credit expansion, in the absence of other necessary conditions, has failed to secure the absorption of the unemployed. There is first the case of Italy prior to September, 1947. In spite of a rapid credit expansion between June, 1946 and September, 1947 unemployment remained at a high level. If our thesis is correct, the fact that money wage rates were tied to the cost of living index was largely responsible for this lack of responsiveness of the level of employment to the credit expansion.

The history of credit policy in the United States offers further examples. The period 1933 to 1936 is a case in point. Unfortunately the unemployment figures for this period are unreliable; but it is generally recognised that the deficit financing by the government during the period failed to make any great dent in the volume of unemployment. The explanation usually given is that the entrepreneurs, because they continued to take a pessimistic view of future business prospects, preferred to improve their liquidity rather than to increase output.

(16) At its annual conference in September, 1950, the Trades Union Congress voted against all restrictions on demands for wage increases.

More recently, in the period from July, 1949 to March, 1950, credit expansion again failed to bring about the absorption of the unemployed. The first half of 1949 was characterised by a slight recession which raised the unemployment figure from a low of 1.6 million in October, 1948 to 4.1 million in July, 1949. By March, 1950 the unemployment figure was even slightly higher than it had been in July, 1949. Yet credit expansion had proceeded at a rapid pace during the intervening nine months. Total loans and investments of the weekly reporting member banks of the Federal Reserve System rose from 62.5 milliard dollars at the beginning of July, 1949 to 66.6 milliard at the end of March, 1950. This latter figure was the same as that reached by loans and investments in October, 1948, *i. e.* at the time when the level of unemployment was at its minimum.

It is not quite clear what the reason is for the failure of the policy of credit expansion to absorb the unemployed in this instance. There have probably been two main contributory factors, however:

First, the credit expansion coincided with another round of wage increases in the form of contributions by the firms to pension funds for their employees, contributions which raised production costs in just the same way as outright wage increases would have done.

Secondly, employers are reluctant to hire additional workers if they think that they may need to dismiss them again after a relatively short interval. The reason is partly that the employers are anxious to keep good relations with their trade unions, and partly that they have to pay a dismissal compensation of one month's pay.

Whatever the explanation, the fact remains that the credit expansion in the nine months from July, 1949 to March, 1950 was not effective in reducing the number of unemployed.

V. *Long Run Possibilities.*

Throughout the preceding sections, it will be remembered, we were concerned — apart from the secular stagnation case — with the conditions for increasing employment with a « given state of organisation, equipment and

technique ». We concluded that, under this assumption, except in the case of generalised surplus capacity, employment can be raised by increasing aggregate money demand only if prices rise and real wages fall; and that, if real wages are sticky, an increase in aggregate demand will only lead to inflation. We may then have to wait for the working of the much slower process of improvements in organisation, technical progress, and expansion of the stock of capital equipment. This process, by increasing the real productivity of labour, enables the economy to support more workers than before at any given level of real remuneration.

Proponents of a policy of credit expansion argue that such a policy is in itself an easy and effective method of forcing the pace of the growth of the stock of equipment above what can be achieved on the basis of voluntary domestic savings and foreign loans. Two sources of this « forced » increase in the stock of equipment are usually distinguished: the primary investments directly financed by the credit expansion, and the secondary investments financed out of the increased profits of firms created by the additional spending of those who are newly employed as a result of the primary investment projects. We must notice, however, that in order for the credit expansion to produce any significant increase in the stock of equipment, the same conditions are required as for it to produce a significant increase in employment; *i. e.* it is necessary that prices and wages should not rise in proportion to the increase in the volume of aggregate money demand. If these conditions are not satisfied, the attempt to maintain any given rate of increase in the stock of equipment through « primary » investments will require injections of doses of credit of constantly increasing magnitude, and will produce a galloping inflation. Similarly, the working of the secondary investment effect requires that, if prices rise, wages should lag behind. If wages are tied to the cost of liwing, the lag will be too short to allow of any significant additions to profits, and therefore to the stock of equipment, from this source.

One final warning note needs to be added. An increase in productivity brought about by additions to the stock of capital equipment (and by technical progress) will lead to an improvement in the employment situation only provided the trade unions do not press for general wage increases immediately the employment situation begins to improve. What is required is that temporarily — *i. e.* until the bulk of the unemployed have been absorbed — the general level of real wage rates should lag behind the rise in productivity. This does not, of course, imply that no upward adjustments of wages at all should take place: indeed some adjustments may be essential in order to encourage that mobility between trades and localities without which the maximum productivity cannot be achieved.

In fact there is a serious danger in all parts of the western world that the unions may continually exert pressure towards raising real wages even faster than the general level of productivity rises, and that this may push governments into a policy of continual inflation in a desperate effort to keep up the level of employment. Since mere inflation cannot, under the conditions assumed, secure full employment, governments may then be faced with the following dilemma. They will have the choice either:

1) of trying to maintain the free market economy, but of extending the principle of public regulation of monopoly power not only to corporations (to which it is already applied in some countries), but also to trade unions, *e. g.* by imposing compulsory arbitration in wage disputes, or

2) of resorting to a fully planned economy with its implication of full control over real wage levels.

The second course may be politically easier than the first, but it is not clear that it is in the best interests of the wage-earning classes. Apart from its encroachment on the freedom of choice of the individual, it has, as British experience shows, certain effects on the economy — the weakening of incentives and, partly bound up with this, the increasing rigidity of the production structure — which tend to slow down the rate of increase in productivity on which future improvements in real wage levels must depend.

Italian Agriculture in the Framework of the New Customs Tariff

by

PAOLO ALBERTARIO

We are by now (1) in possession of sufficient data to enable us to form an objective judgment on the most important probable economico-technical effects on Italian agriculture of the special customs regime which will shortly regulate our foreign trade.

An examination of the new customs tariff proves that the Italian Government, in drawing up the duties and fixing the rates for agricultural products, has followed those principles of liberal trend which are contained in the international agreements on this matter already accepted by Italy. Obviously, this judgment has to be considered in the light of some inescapable realities of our agricultural structure and of transitional contingencies, calling for a limitation of a free trade approach and therefore deserving to be emphasized at the outset.

Limiting Conditions for a Free Trade Policy.

1. — Firstly, attention should be drawn to the structural peculiarities of fundamental Italian agricultural branches as for labour and capital and the limited transferability of both of them. In a country like Italy, lacking in raw materials, with a very scarse natural productivity and a population ever on the increase, these limitations are effective factors of organic weakness especially in agriculture, which is the foundation of the life of the country.

I shall never forget the impression which I received, some years ago, on visiting some agricultural farms in Kansas, one of the most important cereal growing regions in the United States. My eyes met vast extensions of highly productive flat land for which the advisability of artificial fertilisation did not yet need to be considered, although the yield was from 18 to 24 qtls. of wheat per hectare. There farm organisation is of the greatest simplicity: there is no need for any particular levelling or draining of the land, and there is a considerable lack of fixed investments and even of internal communications; tree plantations are almost unknown and the buildings reduced to the farmer's house and, at most, some sheds. The arable surface is destined as to 2/3 to the cultivation of wheat and 1/3 to lucerne meadows, utilized by dairy cows of high yield. Well, in that territory, where the farms have an extension of 200/250 hectares — the typical size of a farm in our Po Valley — the same person who administers the farm also provides the manual labour, since the extensive use made of mechanical equipment and operating machines requires little manpower. Wheat cultivation, on the whole, calls for two operations, at the start and at the finish of the cultivation cycle. The farmer, with his mechanical equipment, only goes over his field twice a year: in the late autumn, for the sowing (the tractors draw, at the same time, the three-phased ploughs, the disced harrow and the rowseeding machines); at the beginning of summer, for harvest (the combine leaves behind it the sack of wheat already tied up).

One instinctively compares that system with the series of operations which the cultivation of wheat calls for in our regions, rendered fertile by centuries of work on reclamation and soil improvement, but above all by assiduous

(1) This article was written in April 1950 and was based on the results of the Annecy Conference and the Draft of the new Italian Customs Tariff approved by Decree of July 7, 1950, N. 442, and due to come into force on July 15, 1951. During the period July 15, 1950 - July 15, 1951 a temporary interim tariff system is in force.

manual labour. In Lombardy, in Emilia, in order to relieve heavy unemployment, the farm which operates from 200 to 250 hectares is obliged to give steady employment to at least 50 regular labourers, in spite of the considerable use made of machines. In our farms, at the present day, wages alone represent, roughly speaking, about 2/3 of the total cost of production. In Kansas the farm, which is generally rented, can still yield a rent equal to about 1/3 of the market value of output, and this rent can be calculated as net rent, after taxes have been deducted, as the owner has not to provide for replacement of capital while administrative requirements are negligeable.

The different possibilities of reducing the costs in both cases is also evident: in our country it would affect a wage already reduced to the lowest possible terms, whilst in Kansas the reduction would fall upon an income derived almost entirely from the land, without producing any disastrous consequences.

The same conclusions apply to another product of fundamental importance for our agricultural economy and also an object of considerable foreign trade: I refer to meat. Last year, in the heart of the Argentine Pampas, in the typical « *granadera* » zone, I visited farms principally given over to breeding cattle for slaughter: the classical « *novillos* » utilized at the age of 20/24 months, when they attain the live weight of 350/450 kilos, by the large frozen and canned meat export industries; cattle bred in the wild state on lucerne meadows and wild flower pastures so nutritive as to ensure the best meat conditions of the animals for slaughter, without any need to complete their diet with concentrated feeds; herds of cattle of 8/10,000 heads, characterised, among other things, by striking uniformity of type and degrees of development, handled — or more simply, guarded — by one or two men. In this case also the income comes prevalently from the soil.

These are two out of many striking examples of the different conditions in which a given product may be obtained, and of the very different measure in which soil, capital and labour contribute to form the cost. This contrast would hold good even if the comparison were made between products which can replace one another in competition on the market; for instance, if we compare the characteristic features of our sugar production from sugar-beet with those of the similar product obtained from sugar-cane, or the conditions in which our production of olive-oil is carried on, compared with those existing in North and South America and even in Asia for the production of oil from oil-seeds.

This comparative sketch of the profound structural and operating differences shows very clearly the conditions of organic and therefore unavoidable economic inferiority in which certain agricultural products of the utmost importance are produced in Italy. This is the fundamental justification for levelling the price of the product by means of customs duties when the particular productive activity cannot for a variety of reasons be abandoned or limited. Under productive systems whose flexibility is limited because they are strictly dependent on inelastic environmental conditions, the impossibility of replacing or of reducing the output of a given product is often the consequence of the technical requirements of the system rather than the expression of any economic expediency for the undertakings.

2. — Secondly, a certain prudence in the liberalisation of trade, more particularly in the case of some agricultural products is counseled by the agricultural depression from which Italy is now suffering, which originates in the marked difference between costs and proceeds, due to the fall in the market price of the products unaccompanied by a proportional fall in the cost of production factors.

If these two series of prices are referred to a pre-war basis, to the year 1938 which may be considered a year of fairly balanced economy, an approximate measure of the discrepancy can be seen. Last year the farmer sold his products at a price 55 times higher than the pre-war price, whilst he has had to buy his equipment, manpower, etc. at prices 62 times above the 1938 level. This ratio is of course merely a general indication. There are branches where the discrepancies range even higher: for instance, in the production of hemp, olive oil, potatoes, wine, etc., sales prices were respectively only 46, 42, 40 and 35 times the pre-war

figures, whilst wages, taxation, purchase prices of raw and auxiliary materials, etc., were 62 times above the 1938 level.

In the case of tenant farms operated with hired labour — such as are found over large areas in the Po Valley — where there is no possibility of offsetting the operating deficit by reducing the rent or the remuneration of labour (a possibility that exists in the case of owner-operated farms), the present situation cannot continue.

This discrepancy can and will be eliminated. The decreasing trend of prices for means of production, which has only just begun and is limited almost exclusively to raw and auxiliary materials (fodder, fertilizers, insecticides, fuel, etc.) will probably continue. But these items are only a small percentage of the total farm management expenditures of which wages and taxation represent the greater part, amounting to 2/3 or even 3/4 or 4/5 of the total. There are also possibilities of further improving the technical and commercial aspects of farm management. But all this requires time and therefore it is necessary, first, to avoid aggravating existing difficulties by a new fall in prices and, secondly, the farms must be given the time needed to rebalance their budgets, through an improvement of the market conditions for equipment, auxiliary materials and modernisation of production itself. Hence it is essential to safeguard our market — at least in the case of certain products — from sudden reactions which might strike it should it be immediately, and perhaps totally, inserted in the framework of international market conditions. In such cases protection is provisional and merely intends to assist our prices to adjust themselves to international levels by avoiding shocks during the process.

3. — Thirdly, some lines of agricultural production call for a certain degree of customs protection when facing the more or less hidden protective policy followed by certain countries, which usually takes the form of measures limiting the import of foreign goods or stimulating, by means of indirect aid, the expansion of their own exports on markets deemed to be of particular interest. Therefore, in many cases, our protectionism is nothing more than an effort to restore the balance in a situation artificially and unilaterally modified; and it should be considered a weapon of legitimate defense against any attempt to place our economy in a condition of inferiority. This is a reality which cannot be ignored and to which we cannot but call attention, especially of those who wish to be the theoretical advocates of unlimited free trade.

The Annecy debates demonstrated the truly abysmal depth of the contrast that may exist between asserting a principle and putting it into practice. This contrast was shown more especially by the frequent recurrence of the paradoxical situation in which a country asked that its own characteristic products — characteristic because they could rightly boast of excellent technical and economic farm organisation and privileged environmental conditions — should enjoy a lower rate of duty than that by which the same country held that it should protect its own products from foreign competition. The expansion of our exports to hard currency areas, so insistently urged, and already made so difficult by the inferior conditions in which our agriculture has to work, becomes quite impossible because certain countries to which our surplus production might be sent levy on it prohibitive import duties.

For instance, citrus and other fruit crops in general have progressed by giant strides in the United States in these last ten years, both in quality and quantity, but especially as regards reduced production costs. These tree crops are cultivated on an industrial scale, assisted by a highly advanced technique. Now, the duty on lemons, though reduced by half at the Annecy Conference, is still high, representing from 40 to 50 per cent of the Italian *fob* prices. The duty on almonds, cherries (sulphated cherries) etc., which has remained unaltered, makes our exports almost impossible since the duty amounts to 80%, 120% and sometimes even more of the producers' price. The dairy industry in the United States today produces a very wide range of articles, much the same variety which characterized till yesterday the similar European industry. The U.S.A. produces many of what used to be our typical cheeses and places them on the market under the same denomination. The raw material,

which in this case is milk, until recently cost in the U.S. only one third of what we paid for it: 18 to 20 Lire as against 55 to 60 Lire a litre. In such a situation, it would have been quite understandable if during the discussion on tariffs and customs we had insisted on subjecting the U.S. products (milk in its various forms: condensed, powdered, etc.) to a duty which would have mitigated our state of inferiority as regards the price of the raw material and our type of industrial organization. But we asked only, and in vain, that our cheese exports be not overburdened in the United States with a tariff higher than that adopted by us with reference to American dairy products.

Indeed there is still a fundamental equivocation at the basis of the present conversations within the O.E.E.C. on the liberalisation of trade. This equivocation consists in that vast series of indirect protective measures which are to buttress the abolition of existing trade limitations. Prohibitions, quotas, etc. will be given up only to be replaced by discriminations between essential and non-essential goods, maximum sales prices or seasonal periods within which importation is allowed, etc. All this clearly means a change in manner but none in substance. Bearing in mind the original and acquired conditions in which our country has to work and which make it difficult for us to compete as regards costs and consumption, it must be recognized that Italy shows considerable courage in her earnest efforts to extend the application of the principle of progressive liberalization of trade.

Guiding Principles for the Agricultural Customs Tariff.

4. — Let us now pass on to a realistic study of the new duties. A logical basis for a policy of protection for our agriculture should be inspired by the following notions:

1) Refuse protection to the so-called characteristic lines of production, whose very denomination presupposes environmental conditions particularly favourable to growth and marketing. This principle has been admitted to the fullest extent and on the most positive terms. Thus, not only has there been no suggestion of an import duty on almonds, hazel nuts, oranges or other fruit and vegetables, but there has also been no intention of letting our typical production benefit by the indirect protection of a duty on similar or substitute goods. If a different reasoning had been adopted, the request put forward by the hemp growers, for example, for a tariff on jute — a raw material which competes with hemp — would have been accepted. In granting this greater measure of freedom of trade, the advisability of making full use of competition in the quality of goods has been envisaged, not only in regard to different articles belonging to the same line but also in regard to products of the same type but possessing different characteristics. In the cheese sector, for instance, it is not merely a question of exporting « Gorgonzola » and importing Emmenthal, but also of exporting « reggiano emiliano » and importing the Argentine « reggianito », of exporting our nationally-produced Emmenthal to Germany whilst simultaneously importing it from Switzerland.

2) We have renounced protection for products which, even if not characteristic, cannot justify a claim to protection by pleading inferior environmental conditions.

This is the case for instance for all farmyard products, in particular poultry and eggs, the production of which amounts to about one hundred milliard lire and which in the past fed a considerable export trade. There seems to be no reason why poultry farming in Italy should yield lower results than, for example, in Turkey, Bulgaria and Denmark. Too much has still to be done in rationalizing poultry farming to justify a situation in which a T.B. patient must pay 40 lire for an egg which would cost only 20 lire if imported duty free. A more careful and efficacious control of the epidemics which so frequently decimate poultry, as well as more appropriate feeding, which can be had without raising costs, would be more than sufficient to halve present costs of production.

3) Protection by customs duties of some products which, even though obtained in conditions of economic inferiority, cover only a modest percentage of the national requirements, has been given up. The sacrifices imposed on

consumers would have been disproportionate to the advantages conferred on producers. A case in point is wool.

4) The trend of our agriculture — a trend which deserves encouragement — is to develop animal husbandry and especially the production of foods such as milk, meat, fats. The problem of marketing a growing output of such animal products is closely connected with the possibility of lowering costs; this holds good above all for products in demand on foreign markets. Hence the advisability of favouring stock-breeding by assuring feed supplies at low prices, as they are one of the principal elements in raising per weight costs. Therefore imports duty free or charged with very low rates, levied essentially for revenue purposes, have been allowed for maize, extraction meals, oilcakes and other cattle feeds.

The new Draft Tariff contemplates a 35% duty for the chief cattle-feed, maize. This decision gave rise in some agricultural sectors to quite groundless objections. There was a feeling that the economic basis of maize farming, extending over one million hectares and yielding 25,000,000 qls. p. a., might be jeopardized. Undoubtedly the costs of growing maize in Yugoslavia, Argentina, United States, just to mention a few of the markets drawn upon to complete our domestic production, are lower than in Italy. But we cannot disregard the fact that 4/5, not to say 9/10, of the domestic production of maize is consumed or processed on the farms themselves. The farmer who grows maize to feed his own cattle is not so much concerned with the price of maize — which he does not market — as in the price of milk, meat and fats into which that maize will be transformed. Therefore it is clear that imports of feed of high-nutritive value at a favourable price affords the best if not the only determining factor in assuring the much desired expansion of animal husbandry.

5) Protection has been reserved to those products which, owing to the position they hold in our agricultural economy and to the conditions of net inferiority under which they are produced — not because of the incapacity of the farmers but because of the special local conditions — cannot be abandoned to the fate which would befall them were they to be immediately and fully inserted in the international price system. This would result in upsetting the whole national economy and therefore their protection is justified by general social considerations.

The extent of the protection has been strictly contained within the limits required to avoid the danger feared. This protection has been granted to *wheat, sugar beets, beeves and butcher's meat, and animal fats*. The regulation of the market of *vegetable fats* (oil-seeds and oils competing with olive oil) has a character of its own.

We may perhaps examine in detail the technical and economic position of each of the above-mentioned products, considering each in relation to the settlement planned for our agriculture at the end of the Marshall Plan: a settlement which should be consonant not only with the practical possibilities in the different zones but also with the requirements of home consumption and with the most probable state of trade under a regime of relatively free trade. The plans laid down provide substantially for the development of those crops and products which find in our country favourable natural and acquired conditions (high grade fruit and vegetable crops, hemp, rice, dairy products) and for the development of animal husbandry, partly by an increase in the area under forage crops. The development of animal husbandry must be considered as the most efficient indirect means for raising per hectare yields of cereal crops, where higher productivity should more than offset a reduction in wheat area.

Key Agricultural Branches and the New Customs Tariff.

5. — This change from excessive cereal farming to a progressive extension of artificial meadows, which has already successfully overcome the initial difficulties, might be irremediably injured and its completion and consolidation prevented by a sudden sharp fall in prices.

The characteristic features of Italian *wheat* farming are too well known to need any description. Wheat is grown on about 1,500,000 farms, of which about 1,200,000 market either all or part of their production. For many farms,

and they are among the smallest, wheat is the only marketable crop and by far the most important, the sale of which enables the farmer to meet the subsequent operating expenses of the farm and that part of his domestic needs not covered by home production. For many farms, especially large and medium sized and particularly in the agriculturally poor regions, wheat growing is the basis of production. At the present moment wheat crops cover a surface of 4.6/4.8 million hectares, in rotations which allow of little elasticity, so that it would be extremely difficult to replace it by another crop that could be grown under similar technical conditions.

During the years when autarchy was most in vogue, and allowing for favourable seasons, the requirements of the nation could be fully satisfied by home production, wheat was grown on an area of 5,300,000 hectares. As soon as the war was over the deficiency of technical equipment and an ill-considered price policy seriously handicapped wheat cultivation, which became the least profitable crop. In spite of this the surface covered by wheat did not fall below 4.4/4.5 million hectares. This is probably the lowest figure to which it is technically possible to reduce the wheat area, and this fact proves the very special character of that crop in the general picture of Italian agriculture for which it represents a fundamental element of stability. By maintaining wheat cultivation within present limits, which are those envisaged by the definitive agricultural program, there would be a deficiency of about 15 million qls., which might fall to 8-10 qls. or rise to 20-22 respectively, according to the more or less favourable harvests depending essentially on weather conditions. For the past 70 years, since a duty on wheat was first introduced in 1883, there have only been two brief intervals of a return to duty free imports: the first, for about two months between May 7th and June 30th, 1898; and the second, between February 1st, 1915 and July 23rd, 1925. On the other hand, there have been frequent periods of long duration in which the duty on wheat represented a considerable surcharge; for a long time before the first World War it stood at about 40% of the international price. There were also years in which, in consequence of the commercial policy adopted by some producing and exporting countries, the most paradoxical situations arose and at one moment the duty accounted for nine-tenths of the home price of wheat. Foreign wheat was even offered gratuitously at the frontier, the exporter being granted subsidies superior to the price on the original market. In 1938 the incidence of the customs duties (38 lire per ql. for soft wheat) was 52% of the average import price.

A simple calculation shows clearly that a protective duty on a product of fundamental importance for consumers such as wheat requires the most careful attention, since the price of bread and edible pastes is a decisive factor in determining the cost of living of the working classes. Let us see how the duty works: a duty of Lire 1,000 per ql. on 15 million quintals of imported wheat automatically raises by a like figure the price of the 30 million qls. of the home grown crop sold on the domestic market (the additional 40-45 million qls. produced are used for seed or are consumed on the farm). The duty thus represents for the consuming public a charge of no less than 45 milliard lire.

The formula adopted at Annecy shows the anxiety not to weigh upon so widely consumed a staple product, whose price reacts so sharply on general living costs and wages, and clearly defines the nature of the solution adopted. The duty is certainly not a costly wall behind which backward cereal farming can quietly take shelter.

It is evident that the main intention is to protect our wheat economy from any sudden and serious fall in the international price level, which is not only possible but easy under present-day conditions in this economically unquiet world, wheat being a product for which countries having at their disposal enormous resources, such as the U.S., Argentina and the U.S.S.R., might for some reason or other engage in unexpected trade policies. In almost all the European countries, in spite of their declared intentions of following a liberal commercial policy, the trend is not so much to strengthen the position of national wheat farming as to increase progressively the output; in the American countries where, during the war years, the output of wheat was encouraged

to an extraordinary degree, hardly any effort is being made to bring production back to its previous level. It is true that the Wheat Agreement does not cover the full demands of the importing countries, but we cannot ignore the fact that the U.S. alone, whose exports have risen from the 10-12 million quintals of pre-war days to the present 120-130 million, would be practically able to provide the whole quantity foreseen under the Agreement. Nor can we neglect the fact that Argentina and the Soviet Union have not signed the Agreement, the latter because she was not allowed to contribute a quota of at least 20% of the total to the general pool. Therefore the possibility of cut-throat competition between the great exporting countries at a date in the near future cannot be excluded. This would mean the repetition, even if only temporary, of the sudden price slumps experienced in the past.

The formula agreed on at Annecy provides two precautionary measures to protect our market against sudden, serious upheavals. First, the basic duty may be raised from 30% to 45%; secondly, the home price is not allowed to fall from one year to another by more than 20%. The duty has been fixed — as we have said — at 30%. This cannot be considered an excessive level; it is, on the other hand, a first precautionary maximum, which perhaps will not need to be applied. Under present conditions, for instance, with a home price standing around 6,250-6,500 lire, which is considered adequate to meeet costs and is fairly adjusted to the prices of other products, and with a minimum international price for wheat delivered at our ports of 5,251-5,511 lire, there is no need for recourse to the full duty in order to protect home production.

It is relevant to note that France, whose wheat farming is much less costly than ours, has fixed her duty on wheat at 35%, while she also reserves the right to raise the basic tariff by another 15% of the product value.

6. — In the past the advisability of protecting home produced *beet sugar* against the competition of foreign cane sugar has been much discussed. The problem has been and still is of great importance in the customs tariff policy of all the European sugar-producing countries, including those in which beet-cultivation is carried on under particularly favourable conditions, thus assuring a higher yield of roots per hectare and a higher sugar content than in Italy. It seems that the discussion on the subject has lately cooled down; the opposition to protection, which would practically signify relinquishing beet-cultivation — as in no zone, however privileged, could beet cultivation compete with the costs of production of sugar cane — is no longer so strong. Eminent exponents of free trade policies have had to admit on the basis of an impartial study of facts that the protectionist claim that beet farming and the sugar industry serve interests of a general character, especially in view of the technological, economic and social conditions of the regions where these special activities are carried on, is no mere specious argument but a practical reality which cannot be left out of account.

It is significant that protection many times higher than ours was accepted in the past and is still maintained in all European countries, even in those traditionally favourable to liberal trade policies. In 1929 Italy placed a customs duty of 36 gold centimes per kg. on imported sugar. There were, it is true, countries which levied a lower duty but always one of a strictly protectionistic character; Sweden and Denmark of 14 centimes, Belgium of 11.50, Germany and England of 31, Czechoslovakia of 50.50 and Poland of 60! In the next 10 years there was a tendency to raise the tariffs and just before the war, in 1938, some countries, such as Germany and Czechoslovakia, levied duties of about 12-13 dollars (at the 1938 rate of exchange) per ql. Among present tariffs the French one is the highest, amounting to 130% *ad valorem*.

The supporters of the protectionist regime claim to demonstrate historically, by means of indisputable data, the advantages that accrued to our consumers from the fact that the Italian Government has provided for the country's essential sugar requirements. The proof would be afforded by comparing two data: on the one hand, the price at which home produced sugar from 1903 to 1948 — 108,381,880 qls. for a total value of 5,482,867,482 gold lire — was placed on the market, and on the other hand, the price the country would have had to pay

to purchase this quantity of sugar on the international market: *i.e.* 5,534,014,097 gold lire (2).

These figures would show that the advantages of a general nature connected with beet-growing and the sugar industry have been secured without entailing any loss to the consumer. These advantages consist in providing well-paid work for a very large number of people in densely populated regions with scanty industrial development, in better crop rotations and a generally improved farm economy.

But apart from any judgment on the consistency of this striking calculation, it can be safely said that in the present situation, when Cuban cane sugar reaches our ports at little over half the cost price of our best home produced sugar, the idea of abandoning this particular agricultural activity is inconceivable. It is true the area under beets is only 120,000 ha., but they are distributed mainly in 6 provinces: *i. e.* Ferrara, Ravenna, Rovigo, Padua, Venice, Verona (75% of the total), in which the cultivation of the sugar beet has now become traditional; it is considered impossible to replace it, and therefore it would be disastrous to suppress it, given its economic and technical importance for the farming systems of those regions. Such a policy would moreover greatly injure the capital investment represented by 65 sugar refineries, equipped in many cases with the most modern machinery, of an estimated value of 100 milliard lire. But the most important consideration has already been mentioned, *i. e.*, that the cultivation and processing of the beet crop calls for the employment of considerable numbers of workers who depend on these activities for their livelihood. It is estimated that 125 million hours of work are matched by a pay-bill of 20 milliard lire.

The Draft Tariff fixes the sugar duty at 105%. This is far from the pre-war rate, especially from that of the immediate pre-war years under a system of autarkic economy, when the use of beets for distilling alcohol to be used as motor-fuel was contemplated, and plans were being made to enlarge the area planted to beets, which had risen to 175,000 hectares and was to have been extended gradually to lands less suited to it. In 1934 the duty stood at 175% and in 1938 at 370%. The comparison might make us doubt whether the duty now proposed (and not yet agreed upon) will effectively secure the ends in view. But this doubt is not well grounded. On the contrary, we may safely count on a progressive lowering of the duty in the course of time, for Italian beet cultivation and the ancillary sugar industry could engage in further technological and economic improvements; a cleverly regulated competition, secured by manipulating the duty, can be used to spur them on to further progress.

Crop yields can be raised in a marked degree. We can now aim at 45 quintals of sacharose per ha., and the target can soon be raised to 50. Fifteen to twenty per cent of the farms have already attained these yields. As this crop is grown under quite uniform conditions, heavier yields at lower cost are a matter not of soil or climate but a problem of farm organisation. There is therefore no serious obstacle to prevent all the farms from securing the same yields as are now obtained by the more progressive farms.

In the sugar manufacturing industry there are also marked disparities in costs, only partially due to the varying capacity of the plants and to the varying degrees of its utilisation. In this last respect the expected increase in the production of the raw material to meet the anticipated heavier consumption, should in itself be a factor in the reduction of costs by spreading overhead charges over a larger volume of production.

While we feel certain that we shall be able to reduce costs by introducing improved methods both in the cultivation of the beet and in the sugar refineries, on the other hand the competing sugar cane business will have to face, for reasons that can be easily guessed, heavier production costs. Also for this reason we may assume that in the course of time it will be possible to lower the duty to a considerable extent.

7. — The condition of our *olive-oil* production is now more or less similar to that of sugar. It also has been subject to indirect com-

(2) *Sugar-beet cultivation and sugar industry*: Report presented by the sugar manufacturers to the Interministerial Commission for the study of sugar problems.

petition; even if the competing product is not identical, it is used for the same purposes, and, as in the previous case, the substitute (seed oil) is obtained in the place of origin at much lower cost. In the course of time competition has became still more fierce owing to the greatly improved character of the product attained by the refining industry (to which seed oil must necessarily have recourse) so that the difference between the prices of the two types of oil has gradually decreased.

In the immediate pre-war period the Italian annual consumption of edible oils stood around 2,8 million qls. of which 700,000 were seed oil, for the most part imported. Owing to the scarse elasticity of consumption, the requirements for imported seed oil vary from year to year with the yield of the olive crop and the output of olive oil. Hence during the six year period between 1933-39 the import of seed-oil fluctuated between 443,000 qls. in 1935-36 and 932,000 qls. in 1937-38. In a now distant past, oil seeds and seed oil imports were offset by exports of olive oil which in the years before World War I reached the figure of 350,000 qls. (509,000 qls. in 1907 and 639,000 in 1906).

At present olive oil accounts for about 4% of the total world production of vegetable oils, rising from 590,000 tons in 1909-1913 to 1,000,000 tons in the last pre-war period and falling to 820,000 tons in 1949.

In the meanwhile there has been a much more marked increase in the production of seed oils: we need only recall the two most important kinds, ground-nut oil (which has risen from 1,150,000 tons before World War I to 2,240,000 tons in the six-year period previous to World War II and to 2,560,000 tons in 1949), and soya oil, ranging respectively from 620,000 tons to 1,275,000 and 1,600,000 tons. In Italy the cultivation of oil seeds, which was stimulated in all possible ways, especially by fixing highly remunerative prices during the period of autarchy, is not favoured by environmental conditions. And even in the years when the Government urged the extension of the cultivation of ground-nuts, soya, sun-flower, etc., the total area never exceeded 10,000 hectares.

Every one knows the importance of the olive for our agricultural economy, covering an area of 800,000 hectares of specialized plantations — of which 3/4 are in the mainland of Southern Italy — and 1,400,000 hectares under mixed cultivation which is practiced both in Central Italy and the South. Fifty-six per cent of of the output of olive oil comes from Southern Italy, 19% from the Islands, 17% from Central Italy and 8% from the North. Apulia and Calabria are the most conspicuous olive-growing regions; in the former olive groves occupy 1/4 of the productive and 1/3 of the cultivated land respectively. The total number of olive trees is estimated at 175 million, the life-cycle of which is plurisecular. The mode of cultivation varies considerably with the environment and so does the yield. Before the last revision of fiscal assessments made in 1937-39, the cadastral income ascertained for olive-groves ranged from a few lire per hectare (15 to 30) to ten times that figure if not more (300 to 400 lire). At both the lower and the higher of these income levels, the olive-tree now offers the only way of utilising lands of very low productive value. But for the olive such lands would be uncultivated grazing lands. The olive more than any other plant makes such poor lands productive and if planted in favourable conditions it can vie with the vine, with orchards and even with tree plantations of an intensive type.

Between these two extremes there are a whole series of intermediate situations, differing from the technical and above all from the economic standpoint. If a slump in the price of olive-oil, due to the competition of seed oils, made it uneconomic to grow olives (it is estimated that about one half of the crop is produced by industrialised agricultural undertakings and is therefore intended for the market), they would still continue to be grown to some extent, but the existence of a large percentage of the olive-groves would be irremediably endangered and the lands might be quite abandoned, as there would be no alternative use for them. But even were an alternative use to be found, it is not unlikely that the solution, which could only be a *pis-aller*, would entail the same drawbacks as those that were to have been avoided by withdrawing protection from olive-oil. For instance, a market situation al-

ready difficult might be made yet more so, especially in depressed Southern Italy, if olive groves were to be replaced by wheat, which is a crop calling for even greater protection. This would represent a great drawback to the economy of Southern Italy, especially at a time like the present, when all possible encouragement should be given to developing its agriculture and related processing industries.

The menace hanging over our olive cultivation is indeed a very serious one, though for the time being it is potential rather than actual. Until now the olive-oil market has managed to protect itself by a 12% duty on seed-oils (represented by the licence fee and other minor charges) and an excise duty recently raised from 30 to 45 lire a kg., corresponding substantially to a further 12%; in all, therefore, about 25%. The market quotations for the two kinds of oil shows a difference of about 20%. The new customs duties are at the rate of 10% on ground-nut, sunflower and other seeds and 25-35% on the extracted oils. The difference in the duty of seeds and oils tends to encourage the importation of the raw materials, thereby assuring work to our well-equipped pressing, extracting and refining industries. The possibility of manoeuvering the excise duty is held as a reserve defence measure.

Compared to the pre-war duties on edible vegetal oils the present tariff affords considerable relief in this sector also. The pre-war duties ranged from 35% *ad valorem* on sunflower seed to 42% on soya seed and 108% on ground-nut seed. The incidence on seed-oils in 1938 was 152% for ground-nut and 196% for soya oils. Ever since it was introduced in 1881 the excise duty on production has had a definitely protective character. At that time cotton-seed oil was the only one which competed with olive-oil. The duty has been levied uninterruptedly since then and gradually extended to the other seed oils as they came on the market.

At the Annecy Conference the Italian Government announced its intention, as provided under Art. 64 of the Havana Charter, to reserve the right to regulate the excise duty, which is not discriminatory and is levied at the same rate on domestic and imported products. It is, however, believed that the present increase in the price of seed oils will provide adequate protection in the future for our olive growers, and this belief is justified by the technological and economic improvements that can still be introduced. It must be frankly admitted that during the past 50 years our olive-growers have remained attached to traditional methods, unaffected by the progressive movements that have led to such great improvements in other branches of agriculture. We need only think of the results that could be obtained in three all-important directions: by cultivating the soil so as to conserve its moisture; by pruning the trees so as to assure a better balance between the growth of the plant and its yield; by the control of diseases and pests. On this last point we need only recall the fact that one single parasite, the olive-fly, causes an average annual loss estimated at over 5 milliard lire. Also in the oil refineries there are really important possibilities of lowering costs. The last census taken of the oil-mills and presses showed the very high percentage of oil still extracted and refined in establishments only provided with primitive means and lacking that equipment which alone can assure the quality of the product and the complete utilization of the raw material.

The limit placed on protection in this case is intended to stimulate and rapidly ensure that considerable lowering of costs which can be obtained. Here again protection, which is an essential element for the survival of this special branch of agricultural and industrial activity, will be effective only if the methods of cultivation and processing are renovated; the intention is to grant the necessary time for this renewal and then to limit protection to what is needed to eliminate the differences in costs chargeable to objective and insuperable environmental difficulties.

8. — And now we have reached the last sector under consideration, that of animal husbandry with particular regard to *meat and animal fats*. The most important of these products are cattle and pigs. Other animal products are either typically local (pecorino), or should not enjoy customs protection (eggs,

poultry), or the cost of protection would be disproportionate to the advantages, as in the case of wool.

As we have already stated, the present agricultural trend is to realize that premise which 40 years ago was declared to be at the basis of any substantial improvement of our agricultural economy, *i. e.*, more forage crops; above all more grass in rotation, and therefore more livestock, partly replacing sheep and goats by cattle. Whence the double advantage of (a) increasing the supply of animal products, of which consumption is too low in the Italian diet, (b) raising per unit yields of the other crops by introducing or extending the cultivation of soil-enriching forage crops, quite apart from raising soil fertility by the use of more manure.

Our livestock, greatly damaged during the latter period of the war, has increased with surprising rapidity, encouraged by the favourable trend of the market. Though direct returns are not yet available, we are inclined to believe, on the basis of reliable indications, that the two main species, cattle and pigs, have more than attained their pre-war levels. The only fear is that the energy diplayed in reviving stock-breeding may slacken at the very moment when its success should be consolidated or developed. This would certainly occur should prices fall further without allowing time for the necessary adjustment of costs, or should they fall below the limit set by international competition.

The downward trend of prices for animal products has made itself felt for some time past. In some cases prices have really slumped. In the case of fat-pigs, the price fell in the space of 12 months, from 1947 to 1948, from 900 to 300 lire per kg. But in that special case the product was one whose prices had risen most sharply during the war, and 300 lire was still 50 times the pre-war price. But the prices have gone on falling, and are now (April 1950) down to 200 lire, without a corresponding adjustment in the prices of feeds (the price of the most important of these — maize — has fallen from 5,000 to 4,000 lire per quintal) and finished products. This market situation first stopped the expansion of stock-breeding and then led to a tendency to reduce the number of breeding sows. But in regard to pigs these adjustments need not cause much anxiety: they were perhaps inevitable, in view of the very rapid rate of increase. Action is now being taken to ensure for the Italian market a systematic and steady supply of animal food products at low prices; when the first rigidities have been overcome the retail prices of fresh and salted meats will adjust themselves to the new trend and will react on the cost of living index.

In any case, with a view to protecting our animal husbandry against possible surprises due to foreign competition enjoying particularly favourable natural conditions, duties of 22% for lard and fat and 25% for butchers meat and suet have been fixed at Annecy. These duties are notably lower than those applied during the period of strict autarchy, when they stood at 45% on fats and 36% on lard. In 1938 their incidence had risen to 134% and 131% respectively.

The protection of cattle is a more difficult matter, as cattle-raising influences more deeply the formation and the working of the farm; on the other hand, it is less easy in this case to reduce costs, especially as wages enter into them to a greater degree. There has been a marked fall in the price obtained for the products of cattle raising (milk and meat) during the last few months. Our markets are more and more feeling the competition of foreign meat and butter, coming from the most diverse directions, often of excellent quality and at prices that are steadily falling. It may well be that our possibilities of meeting such competition will soon be exhausted. The duties envisaged — taking into consideration also the Annecy Agreements — are 32% for butter, 28-32% for meat. These rates will make it necessary for our stock-breeding industry to bring its methods and its economic organisation up-to-date. The industry is well aware that its former customs protection was both more prudent and effective. In 1938 the incidence of the duty on butter exceeded 150%; in the case of frozen meat it stood around 175%, in that of live animals (beef on foot) 110,130 and 190%, according to the kind (heifers, oxen, calves).

It is not irrelevant to mention here that our

country has always imported large quantities of beef; during some periods one-fifth to one-sixth of the quantities consumed: 984,000 qls. in 1926-30; 710,000 quintals in 1931-35.

The rapid review we have just made of the main features of the new customs tariff affecting agricultural products, which is intended only to safeguard the legitimate interests of our agricultural economy, may be sufficient to prove that a new and reasoned notion of commercial liberalism has replaced the former principle of absolute protection.

This new system will undoubtedly mean a period of much difficulty for our agriculture. We can however feel sure that these difficulties will be overcome and that our agriculture will emerge all the stronger. The farmers are well aware that this is the condition on which the new customs policy is willing to give them support in their efforts for development and survival.

The Railway Problem in Italy

by

GLAUCO DELLA PORTA

1. — In almost all countries the financial situation of the railways is deteriorating seriously and it is universally recognised that the dangerous developments in this direction are the direct result of the growing importance of road transports. This situation raises a whole series of problems of reorganisation that can no longer be postponed, among which, that of the coordination of road and rail claims special attention. For obvious reasons we shall limit our paper to stating the problem as it affects Italy.

2. — Let us examine first of all conditions on the transport market.

(A) *Volume of traffic.*

The data grouped in Table 1 show that the *global passenger traffic* in Italy has increased considerably from 1938 to 1949. This is mainly due to the average level of railway rates which has remained much below the general price level (as is known, railway rates — which serve as the basis for those charged by many other carriers — are 16 to 30 times higher than the pre-war ones, as compared to 50 times for wholesale prices and almost 60 times for retail ones). The increase in the traffic has been unevenly distributed over the different branches of transport services, but has affected the State railways to a large extent, so that in 1949 the number of passengers carried was nearly 50% in excess of the figure for 1938. The importance of motor transports has also increased, but the heaviest relative growth is that registered for air transports, which are chiefly those of passengers travelling to and from foreign countries (1); for inland navigation and coasting vessels the figures have fallen off.

The *global goods traffic* in 1949, as can be seen in Table 2, shows a much smaller increase over 1938 figure; and, what is more, the movement of the leading branches has been markedly uneven. Thus the volume of goods carried on

(1) It should be remembered that the world's air route mileage has risen from 726,395 km in 1938 to 1,540,302 in 1947, and the merchant air-fleet of the world numbered 3646 air-ships at the beginning 1949, being an increase of 83% as compared to 1938, while the traffic has increased about 1000% (*L'Air*, January 1949).

PASSENGER TRAFFIC IN ITALY — TABLE 1

	1938	1948	1949	1938	1948	1949
	(000 passengers)			(000,000 passenger/km)		
State railways	180,609	325,835	349,950	11,418.00	22,758.00	20,578.00
Leased railways	101,971	179,108	162,207	1,653.00	3,736 00	3,319.00
Extra-urban tramways	170,256	279,314	230,000	1,328.00	2.592.00	2,070.00
Autobus	111,111	150,000	171,429	1,500.00	6,300.00	7,200.00
Air lines: departure	0,082	0,228	0,244	24.60	68.40	73.20
transit	0,019	0,115	0,153	4.75	28.75	38.25
Inland navigation	3,019	3,000	2,900	42.74	42.00	40.60
Coastal navigation	4,426	2,096	2,000	132.78	62.88	60.00
Total	571,493	939,696	918,883	16,103.87	35,588.03	33,379.05

Source: *Relazione sul traffico*, April 1950, General Management of the State Railways.

motor-trucks has more than doubled, while in the case of the railways there has even been a decline; since 1948 motor-vehicles have carried twice the quantity of goods carried on the State Railways, and the ton-km figure is now almost equal for the two branches.

The deterioration is still more serious in the case of railways leased to private companies. In their case, passenger traffic has fallen off from the 225 million persons of 1947 (inclusive of both normal and narrow gauge lines) to 162 millions in 1949, while the goods traffic has fallen from 7.7 million to 6.1 million tons.

GOODS TRAFFIC IN ITALY — Table 2

	1938	1948	1949	1938	1948	1949
	(000 tons loaded)			(000,000 Tons/Km)		
State railways	46,367.00	33,426.00	33,446.00	11,538.00	9,548.00	10,500.00
Leased railways	8,765.00	6,359.00	6,159.00	256.00	143.00	138.00
Extra-urban tramways	1,824.00	1,210.00	1,034.00	29,00	21.00	18.00
Autocars	40,178.00	65,674.00	76,000.00	4,500.00	8,472.00	10,000.00
Air lines: loaded	1.57	3.66	8.29	0.79	2.20	4.97
transit	0.72	4.53	7.80	0.36	2.72	4.68
Inland navigation	2,506.00	1,800.00	1,985.00	91.00	70.00	70.00
Coastal navigation	10,532.00	3,679.00	4,935.00	842.56	294.32	394.80
Total	110,174.29	112,056.19	118,689.44	17,237.71	18.553.24	21,130.27

Source: *Relazione sul traffico*, April 1950, General Management of the State Railways.

(B) *Rolling stock.*

While the railway rolling stock was being laboriously reacquired — it is still below the pre-war level —, that of the road services (see Table 3) carrying freight amounted in 1949 to 172% of its pre-war consistency. In most cases the engines have been frequently renewed (see Table 4) as, owing to their high cost of up-keep and above all their heavy consumption of petrol, the surplus allied army-trucks have been rapidly eliminated, and those still in use are assigned only to special services (*e. g.* hauling supplies for the building trades).

(C) *Costs and services.*

What are the technical and economic reasons that account for the progressive advance of the auto-vehicle? Roughly speaking they can be summed up in the notable difference in costs, which reacts on transport charges, in the greater facilities for the auto-vehicle carrier to provide door-to-door service, in the deferred payments for carriage allowed by the motor carrier, and in the larger opportunities for evading taxation that he enjoys.

In considering costs, as they result from the technical characteristics of the two means of transport (organisation of the service and economic, legal, and environmental conditions), it must be admitted that auto-vehicles not only

RAILWAY AND ROAD ROLLING STOCK — Table 3

Years	Road rolling stock						Railway rolling stock					
	Motor-bus		Motor-trucks				Passenger-cars		Luggage-vans		Trucks	
	N.	Index Number	Motor-trucks	Tenders	Total	Index Number	N.	Index Number	N.	Index Number	N.	Index Number
1938	9,000	100.0	81,589	8,389	89,978	100.0	5,982	100.0	3,945	100.0	123,885	100.0
1948	8,200	91.1	191,680	23,342	215,022	239.0	5,582	93.3	1,712	43.4	90,762	73.3
1949	10,200	113.3	220,000	25,000	245,000	272.3	5,246	87.7	1,836	46.5	92,594	74.7

Source: *Trasporti Pubblici*, n. 1, January 1950; *Bollettino Statistico Mensile* of the State Railways.

are in a better position, but have progressed more than the railways.

TABLE 4

NEW AUTO-VEHICLES ENTERED ON THE « PUBLIC REGISTER OF AUTO-VEHICLES »

Categories	1938	1948	1949
Automobiles	38,675	32,915	48,883
Autobus	645	1,234	1,431
Autocars	5,657	9,719	14,187
Tenders	1,159	1,353	2,340

Until 1930-31 the practical monopoly of land transports enjoyed by the State railways, had enabled them to tend without difficulty towards attaining a position of financial equilibrium, though subject to ups and downs due to the fluctuation of domestic and international conditions. The first competitive drive made by road transports was grafted on to the serious situation arising from the world economic depression of the thirties. It brought the railways up against a new problem, and it became clear at once that if the measures taken to meet it were limited to the reorganisation of services and changes in railway rates, the young road-services, which had greater freedom in manipulating prices, would have the best of it. It was thus that a Decree of December 12, 1935, placed a circulation tax on auto-vehicles at the rate of 12 centimes per ton-km for motor-truck transports organised to serve third parties, and of 8 centimes per ton-km for transports on owner's account. The favourable situation arising from the Abyssinian war, which led to the transfer to Africa of a large number of auto-vehicles, and the heavier demand for transport facilities completed the recovery drive, which in June 1940, when Italy entered World War II, was still under way. At the close of hostilities, the destruction and therefore the scarcity of railway facilities again favoured road transports, which were able to operate, in the first place thanks to the huge park of auto-vehicles left behind by the Allies, and then to the technical innovations introduced into the automobile industries which had suffered little during the war.

Today, railway costs stand at 6 lire per passenger/km and at 10 lire per ton-km, with a marginal cost of 4 lire.

The cost of operating motor-trucks has fallen to much lower levels. For the Fiat 666 RN with attached car seating 80 persons, the cost per passenger/km stood at L. 2.45 in 1947, but in 1949 the cost of the Fiat 680 N and attached car seating 100 persons, had fallen to Lire 1.48 per passenger/km. The cost per ton/km which in 1947 stood at L. 9.36 for the Fiat 666 N 7 with tender, freight capacity 18 tons, fell in 1949 to Lire 5.67 for the Fiat 680 and tender, with freight capacity of 19 tons. With a freight capacity of 8 tons upwards the cost hardly ever rises to more than L. 8 per ton/km, inclusive of upkeep, insurance, and amortisation charges.

3. — The road-rail discrepancy in the price now chargeable stems not only from technical achievements but also from a special situation affecting the cost structure of the road transport. In this connection special attention should be paid to the appraisement of the automobile burdens for road upkeep, as compared to those for the upkeep of the permanent way that the State Railways have to meet, and the consequent disparities between their respective positions.

According to an estimate made by the former Minister of Transports, Corbellini, the cost of the upkeep of the roads in 1949 amounted to L. 72 milliards. 84% of this cost ought to be charged to auto-transport services, for a sum amounting to 60 milliard lire (2).

If we reckon at 80 milliard lire (Prof. Vezzani's estimate) the yield of circulation taxes, of taxes on motor fuel and lubricants, of the sale tax and the registration fees on transfers of ownership, we would find a net margin in favor of the community amounting to some 20 milliard lire.

These rough calculations are however misleading. Apart from the fact that no reference is made to the charges met by the community for the servicing of the capital required for road-building, and no regard is paid to the very different nature of duties and taxes which

(2) We omit consideration of other less comprehensive estimates.

are bulked together, those calculations fail to draw a distinction between the several classes of vehicles, and therefore conceal the real incidence on the road costs of those kinds of auto-transports that compete most with railway traffic, *i. e.* those conveying freight. When the calculations are made with the necessary « qualifications », one is led to the conclusion that the *motor-truck is not paying today for the upkeep of its permanent way*. Studies made abroad confirm this assertion (3).

4. — Political and social requirements — often related to serious problems affecting the reconstruction and expansion of Italian economy — have also accentuated the disequilibrium between costs and proceeds for the State railways and teherefore their competitive inferiority; such are:

(a) the low yield of some lines which are run to meet political and social needs. Significant data on this point can be obtained by an analysis of railway statistics classified by geographical areas. Thus in 1949 the 5,530 kms of railway line in North Italy employed 68,483 persons, carried 20,004,580 tons of goods, and received 27,916 million lire from the passenger traffic; the average daily volume of freight carried per ton/km operated, amounted to 13.7 tons. Central Italy with 4,673 kms of rail, employed 59,207 persons, carried 9,846,735 tons of freight, and received from the passenger traffic 19,362 million lire; the average daily volume of freight per km operated amounted to 7.10 tons. South Italy with 5,675 kms. of rail employed 47,027 persons, carried 8,269,693 tons of freight, received from the passenger traffic 14,142 million lire; the average daily volume of freight per km operated amounted to 3.9 tons. The yield of the central railway system is thus approximately 60% of that of the northern one, while that of the South and the Islands amounts to 47% of it. In the case of staff costs, those of the South Italian and Island railways is 73% of that of the Northen Italy, and that of Central Italy 85% of it. If we take into account the average tonnage of freight per day and per km operated, it can be roughly calculated that the cost of carriage per ton/km amounts to about 4 lire in North Italy, 8 lire in Central Italy and 15 lire in South Italy, which also enjoys facilities entered on the balance-sheet of the State Railways for more than 5 milliard lire;

(b) the cost of the political prices the railways are required to give (rate reductions in favor of certain areas or products, etc.), amount, as recently stated by the Minister of Transports, to 27 milliard lire, to which another 10 milliard lire od fiscal charges must be added (in all 37 milliards) thus accounting for more than half of the railway deficit for the year 1949-50;

(c) lastly, it should be remembered that post-war reconstruction was not planned in view of the financial rehabilitation of the railway system. It has been carried out often under political pressure, without a preliminary enquiry into the economic expediency of the future operation, so that lines that were run at a dead loss were rebuilt, while masonry works and fixed installations have been provided for lines which have not been put in operation or whose operation is still under discussion.

(3) Cfr. N. Laloni, *La Strada e la Rotaia al Servizio dell'Economia Nazionale*, Rome, 1949.

In the case of France Dr. Marois (in a lecture delivered to the Chamber of Commerce of Bordeaux, 1949), taking as his basis the sums collected by the Government for the « tax on turnover », and the average distance travelled by a motor-truck of 15 tons, and other statistical data, shows that a motor-truck of 15 tons costs the Government about 1,700,000 francs a year and deprives the railways of a net profit of some 2.7 million francs which are afterwards debited to the National Budget.

In the case of Switzerland, Prof. Mayer (in an article published in the *Annales Suisses d'économie des transports*, of January 1950) calculated that a heavy motor-truck carrying 4 tons of freight should pay each year some 9,000 francs, instead of the actual 3,500; and that an average-sized autobus should pay 5,600 francs instead of the 2,400 it does pay. On the other hand, a tourist car of average model pays 750 francs instead of the maximum of 450 which it ought to be charged.

In the case of the United States, James Lyne (in *Railway Age*, of 28.1.1950) notes that the duties and taxes paid by road traffic cover barely 60% of the total cost of upkeep, policing etc. of the roads. In a report to the House of Representatives of the State of California we read that in 1948 heavy motor-trucks were responsible for 52% of the total outlays on the maintenance of the roads, but that they only paid 35% of the total amounts provided by road users.

On the other hand, it is well known that the wear and tear of the roads caused by heavy motor-trucks is not directly proportionate to their weight but increases progressively; thus a 3 ton motor-truck may travel along a stretch of road a hundred times and cause much less damage than that caused by a single journey of a 30 ton one.

In fact, we find that the budget of the State Railways (cfr. Table 5) for the year 1948-49 shows receipts amounting in all to 134.5 milliard lire as against expenses amounting to 197.7 milliard, with a deficit of no less than

TABLE 5

BALANCE-SHEET OF THE STATE RAILWAYS
(millions of Lire)

	1938-39	1948-49	Increases (1938 = 1)	1949-50 estimates
Revenue.				
Traffic receipts . . .	4,033	118,400	29.35	145,000
Other receipts . . .	333	16,100	48.34	14,500
Total	4,366	134,500	30.80	159,500
Expenditure.				
Staff expenditure . .	1,534	76,800	50.06	85,100
Staff overhead expenditure	270	26,200	97.00	29,900
Supplies and sundry expenses for the services	675	43,500	64.44	41,800
Up-keep of lines and rolling stock . . .	651	36,000	55.03	43,500
Sundry overhead expenditure	60	5,000	83.33	5,100
Supplementary expenditure	329	5,700	17.32	6,500
Accessory expenditure	634	4,500	7.01	3,900
Total	4,153	197,700	47.60	215,800
Surplus (+) or deficit (—)	+213	—63,200		—56,300

Source: N. LALONI, *op. cit.*

63.2 milliards, a figure which has only been slightly reduced for the year 1949-50. A comparison with the results secured in 1938-39, which closed with a surplus of some 213 million lire, shows that while the proceeds of the traffic have risen some 30 times, the operating costs have risen nearly 47 times. The outlay on staff is 50 times higher than the pre-war figure, while staff overhead (pensions, etc.) has increased 97 fold (4), the cost of upkeep of the lines and of the rolling stock 55 fold, and overhead expenses of various kinds 83 fold. The cost of repairing the carriages may be reckoned, on the basis of 1 = 1938, at between 115 and 160.

In the case of the railway lines leased to private companies, the heavy deficits have made it necessary for the Government to make large grants which amounted in 1949 — inclusive of both ordinary and extraordinary ones — to 7,200 million lire.

5. — The impact of the competition of the automobile, which, as we have seen, is not recent, has caused anxiety to the responsible authorities ever since 1935 when — concurrently with the circulation duty above mentioned — a law was enacted for the coordination of road and rail traffic (Act of 20-VI-1935, No. 1749). It remained for a long time a dead letter and was given effect only in 1948 at the urgent request of the motor-truck operators, at the time when the park of auto-vehicles had grown to an extent that made operating conditions increasingly difficult for them.

Today, the regulation of freight transports by auto-vehicles, which are those that concern us most for it is in their case that the competition between road and rail makes itself most felt (5), is set down in the following terms.

The Act of 1935 contemplates transports made by the owner of the vehicle on his own account, and those operated for others by hiring vehicles, plying for hire, operating freight lines. No limitation is placed on the transports of the first description.

In the case of transports operated for others, the case of plying for hire does not arise, but only those of hiring the vehicles and operating lines for freight transport. In the case of hire, the issue of new licences was blocked in 1948 and vehicles with a load capacity of less than

(4) It should however be noted that the cost per staff unit has increased only 38.3 times over that for 1938-39. This means that the remuneration of the railway staff has not yet attained the average rate of increase for some time past secured by persons employed in the private transport industries, including those engaged on the leased railways.

(5) Passenger services are regulated by the Act of 28.IX.1939, N. 1822 which accepts the system of priorities and provides that in the case of extra-urban lines new services are to be authorised in the following order: (1) to persons holding concessions for operating railways, tramways, inland navigation or other public transport services; (2) to persons holding concessions for neighbouring auto-services; (3) to private applicants.

1.5 tons were excluded; exceptions to this rule were however made in favor of veterans and their cooperative societies, etc. In the case of line services (6) the Act provides *experimental* concessions for a period of a year, which may be extended for not more than one other year, and *definitive* concessions for a period of nine years in favor of those carriers who apply for them during the experimental period. Such transports are described as « public services »; priority in the concession of new permits for regular freight lines is given to railway, tram, cable-way and inland navigation concerns. (Art. 11).

Any legislation for the purpose of coordination must evidently tend to limit the number of the services rendered by the motor-trucks, the material at their disposal, the lines operated, etc., so as to adjust them to the presumptive need for transport facilities. Now, in the case of hire, the application of the law provides that licences should be delivered to all the services in operation on 31-XII-1948, — a conspicuous figure which is constantly renewed; — moreover, the provisions relating to the line services were not practically applied, and it can be safely said that as the coordination of the transports existed only on paper, we must ascribe the competition that now exists in the transport market — more especially in the line services for the carriage of freight, — to failure to enforce the Act (7).

6. — Before dealing with the problem of coordination it is however, advisable to see whether the railways would be able, by using their right to manipulate rates and by introducing technical and administrative improvements, to set right the critical situation in which they now find themselves.

(a) *Price manipulating.*

Evidently in theory the level of the railway rates exercises an immediate and fundamental influence on the situation of the railways. In their turn the rates determine the volume of traffic that can be directed towards the railways and they thus play an essential part in enabling estimates to be made of the volume of future traffic. Considered strictly from the point of view of business finance, price manipulation might have secured marked results in the first post-war phase of demand in excess of available transport facilities. But the policy advocated and accepted, in the case of railway rates as of those for other public services, was that of political prices (subsidies) used as an instrument for keeping the cost of living within bounds and for checking inflationary pressure. This instrument however proved to be of no avail, or even to have the opposite effect to that desired, under conditions of open inflation and collapse of national finance. In the Spring of 1949 rates were still only 17 times higher than their prewar level although from December 1946 to December 1948 the general wholesale price index number had gradually risen from 30 to more than 50 times that of 1938 — to say nothing of the branches or railway traffic enjoying special facilities for various reasons of general policy. On 26-VI-1949 railway rates were again raised and their level was brought up to nearly 31 times that of the pre-war period (cfr. Table 6). In any case the Italian goods

TABLE 6

AVERAGE INCREASES OF RATES FROM 1940 TO 1950
(1940 = 100)

Period	Passengers	Goods
19.11.1944	200	200
1.5.1945	400	400
7.2.1946	625	800
6.4.1947	825	1,100
1.8.1947	1,135	1,700
10.2.1949	1,660	2,260
26.6.1949 (a)	2,025	2,628

(a) Taking 1938=100 (instead of 1940), we have for 1949 the folloving index numbers: passengers 2,410; goods 3,153.

(6) Art. 6 of the Act of 1935 provides that public line services for the transport of goods are those « carrying freight on behalf of third parties, along a regular route, leaving at regular hours, charging fixed rates, undertaking to deliver within a fixed period and which start from and stop at fixed places assigned for receiving and delivering freight ».

(7) For a complete descriptive and critical analysis of the legislation of 1935 and 1939 see: F. SANTORO, *L'intervento limitatore dell'attività camionistica e la legge del 20.VI.1935*, in « Trasporti Pubblici », May 1949; *La legge* 20.VI.1935 *per la nuova disciplina degli autotrasporti*, in « Nuova Rivista di Diritto Commerciale, Diritto dell'Economia e Diritto Sociale » N. 8-12, 1949; *Le « preferenze » nella legislazione sulle autolinee*, in « Rivista di Politica Economica », April 1950.

and passenger railway rates are still the lowest in Europe (cfr. Tables 7 and 8).

TABLE 7

PRICE PER TON FOR TRANSPORTS IN TRUCKS CALCULATED FOR AN AVERAGE DISTANCE OF 300 KMS

Nation	GOODS				
	Steel (10 tons)	Agricultural machinery (5 tons)	Coal (10 tons)	Fresh meat (5 tons)	Wheat (10 tons)
	(lire)				
France (a)	2,793	5,236	2,590	4,507	2,463
Belgium (b)	2,898	5,325	2,898	5,325	3,050
Germany (c)	3,035	4,731	2,827	5,077	4,436
Italy	3,021	3,418	2,670 (d)	4,288	1,755

(a) Clearing exchange Lit. 1.81; (b) Clearing exchange Lit. 12.71; (c) Clearing cross-rate calculated on dollar Lit. 148.76; (d) Inclusive of registration fee of Lit. 1000.

What has occurred has been substantially that the railways had to keep their rates low at a time when the market could have stood higher rates (excess of demand over supply); and when the situation was reversed (supply in excess of demand) the railway rates reacted directly on the rates charged by other carriers

TABLE 8

PRICE PER KM OF A PASSENGER TICKET AT NORMAL RATE FOR A DISTANCE OF 600 KMS

Nation	1st class	2nd class	3rd class
	(lire) (a)		
Italy	11.00	7.35	4.30
France	15.80	10.00	7.00
Austria	17.05	13.37	7.00
Germany	17.28	12.11	7.98
Belgium	27,05	18.52	10.74
Switzerland	20.87	13.23	10.43
Great Britain	29.01	20.50	13.83

(a) See, for the exchange rates, the notes for table 7.

and have contributed to keep them at a low level. The market has thus adjusted itself to the political railway rates and the struggle to secure the traffic has started from an uneconomic level with results that are useful neither to the railways nor to the road transports which often accept unremunerative rates for freight (8); all the more so as in the meantime the railways in their effort to secure the traffic again have manipulated special facilities and special rates and have thus ended by annulling the previous rises by a series of declassifications which culminated in a measure taken in August 1950. Thus if we take into account the prices quoted by road vehicles and the keen competition now prevailing in the field of road transports, we find that the margin for a further tariff manipulation must now be considered as extremely narrow. On the other hand, we must not forget that traffic reacquired by tariff manipulation, is nothing but the reacquisition at a lower price of traffic that has been lost at normal rates; and this means, in the best of cases, the stabilisation but certainly not the solution of the situation.

Some greater possibilities may be offered by a modification of the present structure of the railway tariff. This is still an *ad valorem* tariff, charging lower prices for poor goods, or at best prices equal to costs, while applying to the richer goods tariffs considerably higher than the cost of the service. The motor-truck, on the other hand, which is not required to charge multiple rates, differentiating between rich and poor goods, and which is exempted from the so-called « legal obligation of the carrier » (*i. e.*, is free to accept or refuse the transport service applied for), may chose the traffic that he finds most advisable and is able in all cases to quote rates which may be only a little above the cost of the service. The *ad valorem* tariff, which is reasonable under monopoly conditions, has thus become, under the changed circumstances and the indiscriminate competition of road transports, a cause of weakness to the railway administration. It would therefore seem necessary to pass, with due precautions, from the *ad valorem* tariff to rates based mainly on costs. This would mean, on the one hand, the revision of the rates in those branches in which the price charged is considerably below the cost of the service (as for instance the carriage of citrus fruit from the South at L. 1.80 per ton/km as against a real cost of some 4 lire), while on the

(8) Cfr. F. SANTORO, *Le problème des transports en Italie dans l'après guerre*, in « Annales Suisses d'Economie des Transports », N. 1, 1949.

other hand the excessively high rates charged for several other kinds of goods would be brought more into keeping with costs.

(b) *Technical and administrative improvements.*

We mean by improvements, door to door service, improved time-tables, the rationalisation of the administrative services, the reduction of the staff, etc.

In the case of technical improvements, a recent international enquiry under the auspices of the *Association Internationale du Congrès des Chemins de Fer* (9) shows the importance of carriage by truck from the stations as a means for avoiding the loss of traffic (10).

Yet better results have been secured by the rapid routing of freight over long distances; hence the need of constantly revising the time-tables for goods-trains, and of giving punctual service.

Furthermore, it would be helpful to enlarge the warehouses, so as to avoid over-crowding in those distant from the stations, and to assure rational forwarding.

We should not however deceive ourselves as to the results of such improvements, however useful. Nor can we count on the two theoretically most efficient means — staff reduction and the suppression of unremunerative lines — for securing re-equilibrium, for in practice their adoption encounters serious obstacles, and they are not without social drawbacks.

Staff reductions? They are desirable; but to what extent are they possible under prevailing conditions of mass unemployment? And in any case, the results secured would not be striking. Calculations show that if the State Railways were to dismiss 20,000 persons the saving secured would amount to 15 milliard lire, of which however half would be swallowed up by payment of pensions.

As for the serious matter of suppressing unremunerative lines one must bear in mind:

— that some trunk lines have been built and are to be operated for reasons of general interest and social expediency;

— that the suppression of a line entails the loss of the traffic it served, unless it be replaced by road services operated by the railway. This would mean giving effect to the Act of 21-XII-1931, No. 1575, which authorised the Minister of Transports to replace, partially or entirely, railway by road services operated by the railway administration (11);

— that calculations would have to be made (and the method to be used in making them would afford ample matter for discussion) showing that such a measure would be sufficient for securing a net improvement in average costs.

In conclusion, neither price manipulation nor technical and administrative improvements can secure a definitive solution. They can only start us on the path to a more rapid solution of the problem if they are carried out systematically, and in the framework of a coordination program for rail and road transports.

7. — As we have already pointed out, any attempt at coordination entails a *numerical* limitation of the motor-truck services, of the lines, etc., if cut-throat competition between road and rail which has already proved harmful to both is to be avoided. When the need for adopting this policy is recognised and acted on, price manipulation should play a subsidiary part in contributing to secure the attainment of a balanced situation.

Undoubtedly a policy of coordination will have to face problems and difficulties of a serious kind. It will first of all be necessary to take into account the several kinds of motor-truck services, and the special uses made of auto-vehicles, so as to determine which should be left free of all restrictions, and which should

(9) Cfr. « Bulletin de l'Association Internationale du Congrès des Chemins de Fer »: « *En présence d'une concurrence routière sans cesse plus active, quels sont les moyens les mieux appropriées, autres que les réductions de tarif, pour conserver au rail les transports par charges complètes?* Rapporteur M. A. A. Tarrison, p. 1435 et seq.

(10) On the other hand, in the case of the so-called « *gare-centre* » (central collecting stations whence start trucks which drain the district, accepting freight for forwarding direct at rates inclusive of collection and subsequent routing by rail), we doubt that they would be found of use in Italy, especially in the case of lines that run through valleys where such a service would entail a pure loss without any appreciable gain in the competitive field.

(11) Cfr. the exhaustive discussion by F. Santoro: « *Il Decreto 1931 e le ferrovie statali* », in « Trasporti Pubblici », February 1950.

be subject to only slight ones so as not to deprive production and trade of the advantages they may have secured. The degree of coordination must also be determined, for should the rail be favored beyond a certain measure this might lead to a shrinkage of the output of the automobile industries which would spread to other branches, reducing the volume of the national income. On the other hand, coordination which would favour road traffic beyond a certain limit would give rise to a cost whose advisability must be judged by the ratio between the growing railway deficit it would procure and the higher productivity attained in the branches of industry which would benefit thereby.

But these are problems related mainly to the ways and means used in carrying out a policy of coordination, but do not react on the advisability of the principle involved.

The objection that arises spontaneously against a coordinating policy is that directed against all forms of monopoly. It would prevent — we are told — transports from operating at the lowest prices possible and would therefore entail a net loss on the community. This aspect should undoubtedly be borne in mind, but the matter cannot be settled on such an over-simplified basis.

In the opinion of the advocates of unbridled competition, road traffic should be allowed to develop further in the full freedom it now enjoys, and should compete freely with the railways. But this solution is perhaps the most impracticable of all. We have tried to show that rate manipulation and technical improvements cannot, alone and unaided, lower the average cost of railway transports to the level of road ones. The fact is that the competition between road and rail is a hybrid form of competition because the railway, being a public administration, is not guided in its policies solely by the considerations and rules governing private profit-making concerns. Among other things the railways are required to observe a series of rules (special freight rates, facilities for soldiers, mail, customs, railway reductions for certain groups of passengers, etc.), which do not affect auto-vehicles. As we have seen, these obligations represent a charge, in the case of Italy, of some 27 milliard lire which alone suffices to place the railways in a condition of definite inferiority. Then there is the perhaps still more serious problem of the deficit lines which are kept in operation for reasons that would not be taken into consideration by a purely business concern.

Therefore, if a purely competitive policy is to be followed, the railways would be induced to depart gradually from the *ad valorem* rates in favor of cost rates, to modify the differential tariffs, and in short to proceed towards the denationalisation of public traffic which would create for the Government worries of a quite new description (12).

In such a case the problem of the depressed Southern areas would become a very pressing one. What importance should be given to the social needs of South Italy and the Islands, where railway services are the first condition for maintaining a minimum standard of civilian life and for encouraging industrial and commercial enterprises, which in the absence of the railways would cease? This is evidently a matter of prime importance when we bear in mind the financial charges weighing on the State Railways and the influence exercised on the general average cost of transports by the scant returns obtained from the southern railway sistem. There are moreover areas where it would not be advisable for private enterprise to organise motor-services and where the railway though operated at a dead loss affords the only connection with other parts of the country, allowing of the movement of passengers and goods.

With a view to overcoming these difficulties, those who favour the competitive system have sometimes thought of a composite solution of the problem. They would grant complete freedom to road traffic and at the same time would solve the financial problem of the railways on the basis of a purely « public » approach: *i. e.*, the railways should give up a hopeless competition; their deficit should be permanent, and should be covered by a Budget appropriation. The principle of the « functional » deficit is thus carried to an extreme

(12) Such a policy would entail also the revision of the present fiscal system. The duties on road traffic would have to be raised while those on tourist automobiles would have to be reduced (see above, par. 4).

lenght, regardless of the social cost entailed, which might be seriously aggravated by excesses of competition and by relieving the railways of all commitment for profit operating. Instead, the conception of the social function, and therefore of the non profit-earning character of certain railway services should be qualified and strictly defined, and should be combined (rather than substituted) with a policy of coordination.

A policy of coordination affects of course conspicuous interests which gravitate around important industries. But these interests, which are steadily bringing pressure to bear in a variety of ways to secure fiscal exemptions in favor of motor-vehicles and to place further restrictions on the railway service, do not seem to realise that the competition between road and rail has led to an excessive investment of capital in the transport industries while Italian economy is suffering above all from a scarcity of capital. By maintaining such a situation in the automobile branch of industry, investments have been deflected from other purposes giving rise to distorted capitalisation.

Those who maintain that the individual entrepreneur should be left complete freedom of action should remember the importance of the work of economic rationalisation which could be carried out by a public body exercising a general action in favor of the prevention of waste in the distribution of productive resources over a wide field, embracing both the technical-economic and the ethical-social sides of the question.

In any case, the choice of one or other alternative (13) and, possibly, the definition of the fundamental lines of a coordinated system, are very difficult problems calling for a thorough study of all connected technical and economic factors. The complexity of this study is such that it should be assigned to a special Commission — as recently proposed — consisting of economists and technical experts in road and rail traffic.

(13) We will not here take into consideration another possible alternative — that of the full nationalisation of all rail and road transports — as it is bound up with an economic trend which for the present excludes its enforcement in Italy.

STATISTICAL APPENDIX (*)

ITALIAN BUDGET SUMMARY - ASSESMENTS AND OBLIGATIONS
(milliards of lire)

Table A

Financial year beginning 1st July	Assessed revenue					Engaged expenditure					Surplus or deficit		
	Current revenue			Movement of capital	Total	Current expenditure			Movement of capital	Total	Current revenue and expenditure	Movement of capital	Total
	Recurrent	Non recurrent	Total			Recurrent	Non recurrent	Total					
1938-39	27	0.9	28	3	31	23	17	40	2.8	43	— 12	+ 0.2	— 11.8
1945-46	125	3	128	92	220	160	349	509	44	553	— 381	+ 48	— 333
1946-47	346	6	352	335	687	318	614	932	303	1,235	— 580	+ 31	— 549
1947-48	687	125	812	95	907	865	734	1,599	160	1,759	— 787	— 65	— 852
1948-49	918	69	987	32	1,019	796	602	1,398	96	1,494	— 411	— 64	— 475
1949-50	1,081	368	1,449	344	1,793	892	829	1,771	213	1,984	— 322	+ 131	— 191

Source: *Conto riassuntivo del Tesoro.*

ITALIAN BUDGET SUMMARY - FINANCING OF CASH DEFICIT
(millions of lire)

Table B

	1946-47	1947-48	1948-49	1949-50
Assessments and Obligations (a) - Deficit	— 549,000	852,000	475,000	— 191,000
Receipts and Payments (b) - Cash deficit	— 205,625	— 505,454	— 419,964	— 155,620
Financing of cash deficit:				
Treasury Bills	+ 39.918	+ 203,709	+ 262,564	— 24,530
Advances of the Bank of Italy	+ 22,878	+ 107,509	— 2,884	+ 91,077
Interest bearing) Cassa DD. PP. and Insurance Institutions (c)	+ 43,806	+ 86,288	+ 223,443	+ 159.514
Current Accounts) Banking Institutions	— 1,566	+ 20,726	— 39,449	— 10,176
Floating debt - Total	+ 105,036	+ 418,232	+ 443,674	+ 215,886
Other Treasury Debits and Credits (d)	+ 88,880	+ 41,301	— 67.773	+ 40,282
Changes in cash position	+ 11,709	+ 45,921	+ 44 063	— 100,548
Grand Total	+ 205,625	+ 505,454	+ 419,964	+ 155,620

(a) The so-called « *bilancio di competenza* ». Current revenue and expenditure and movements of capital.
(b) The so-called « *bilancio di cassa* ». Receipts and Payments on year account and arrears; current revenue and expenditure and movements of capital.
(c) For more than 90%, c/acc. with « *Cassa Depositi e Prestiti* » (*Cassa DD.PP.*) which collects the deposits of the Postal Savings Banks.
(d) Debits and credits with government's agencies and other public bodies.
Source: *Conto riassuntivo del Tesoro.*

ITALIAN INTERNAL NATIONAL DEBT
(milliards of lire - Index Numbers, 1938=100)

Table C

End of period	Consolidated and others		Redeemable debt		Floating debt					Treasury notes	Total of internal national debt	
					Treasury bills	Interest bearing current accounts	Advances by the Bank of Italy	Total				
	Amount	I. N.	Amount	I. N.				Amount	I. N.		Amount	I. N.
1938 - June	53	100	49	100	9	20	1	30	100	1.5	133.5	100
1947 - »	53	100	429	875	279	175	366	820	2,733	6.6	1,308.6	980
1948 - »	53	100	429	875	279	175	366	820	2,733	6.6	1,308.6	980
1949 - »	53	100	392	800	744	479	470	1,693	5,643	8.4	2,146.4	1,608
1950 - March	53	100	374	763	721	663	544	1,919	6,397	8.9	2,354.9	1,764
- April	53	100	374	763	694	635	538	1,866	6,220	8.9	2,301.9	1,724
- May	53	100	374	763	690	662	535	1,887	6,290	9.0	2,323.0	1,740
- June	53	100	587	1198	722	636	535	1,894	6,311	9.0	2,543.0	1,905
- July	53	100	587	1198	735	627	471	1,833	6,113	9.0	2,482.0	1,859
- August	53	100	587	1198	742	729	471	1,842	6,140	9.0	2,491.0	1,866

Source: *Conto riassuntivo del Tesoro.*
(*) See explanatory notes in No. 3, October 1947 (p. 197) and No. 8, January-March 1949 (p. 70).

DEPOSITS AND CURRENT ACCOUNTS OF ITALIAN BANKS (a) **Table D**
(millions of lire)

End of the period	Time and Demand Deposits			Current Accounts (b)			% of 4 to 1	Total		
	Amounts outstanding	Quarterly changes	Index number	Amounts outstanding	Quarterly changes	Index number		Amounts outstanding	Quarterly changes	Index number
	1	2	3	4	5	6	7	8	9	10
1947 - December	528,516	—	100	485,373	—	100	91.8	1,013,889	—	100
1948 - June	651,375	+ 49,575	123.0	609,763	+ 82,055	125.7	93.6	1,261,138	+ 131,630	124
December	805,497	+ 65,005	152.4	714,781	+ 50,161	147.4	88.7	1,520,278	+ 115,166	149
1949 - March	845,176	+ 39,679	160.0	774,422	+ 59,641	159.5	91.6	1,619,598	+ 99,320	159
June	860,859	+ 15,683	162.8	811,444	+ 37,022	167.2	94.2	1,672,303	+ 52,705	164
September	949,220	+ 88,361	179.6	856,561	+ 45,517	176.5	90.2	1,805,781	+ 133,878	178.1
December	1.015,937	+ 66,717	192.2	932,787	+ 76,226	192.1	91.8	1,948,724	+ 142,943	192.2
1950 - March	1,051,762	+ 35,825	209.1	947,449	+ 14,662	195.2	90.1	1,999,211	+ 50,487	197.2
June	1,059,031	+ 7,269	209.2	945,700	— 1,749	194.8	89.3	2,004,731	+ 5,520	197.7

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99 % of the total deposits collected by all Italian banks.
(b) Interbank current accounts are excluded.
Source: *Bollettino* of the Bank of Italy.

COMPOSITION OF ASSETS OF ITALIAN BANKS, DECEMBER 31, 1948 - JUNE 30, 1950 (a) **Table E**
(millions of lire)

Items	New Series (b)						
	31.12.48	31.3.49	30.6.49	30.9.49	31.12.49	31.3.50	30.6.50
	Amounts outstanding						
Cash and sums available at sight	169,048	157,046	151,813	162,388	228,140	186,540	182,352
Fixed deposits with the Treasury and other Institutions	177,748	207,785	231,277	269,664	265,898	309,131	263,729
Government Securities (c)	414,200	439,215	446.226	427,140	427,761	450,906	518,405
Credits to clients (d)	1,129,196	1,163,601	1,218,778	1,340,130	1,473,679	1,469,763	1,512,983
	Index Numbers: 31-12-1948 = 100						
Cash and sums available at sight	100	92.9	89.8	95.8	134.9	110.3	107.9
Fixed deposits with the Treasury and other Institutions	100	116.9	130.1	151.6	149.4	173.9	148.4
Government Securities (c)	100	106.0	107.7	103.1	103.2	108.9	125,2
Credits to clients (d)	100	103.0	107.9	118.6	130.5	130.1	134.0
	% of deposits and c/a						
Cash and sums available at sight	11.1	9.7	9.1	9.0	11.7	9.3	9.1
Fixed deposits with the Treasury and other Institutions	11.7	12.8	13.8	14.9	13.6	15.5	13 2
Government Securities (c)	27.2	27.2	26.7	23,6	21.9	22.6	25.9
Credits to clients (d)	74.2	71.8	72.8	74.2	75.6	73.5	75.5

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99% of the total deposits collected by all Italian banks.
(b) The Bank of Italy has revised the quarterly series on banking assets, beginning from December 1948. For back figures (old series) see, *Recent Banking Developments in Italy*, this Review, no. 11, October-December 1949, pp. 230-231.
(c) Treasury bills and other Government securities. Nominal value.
(d) Includes: bills on hand (portafoglio), contangoes (riporti), advances (anticipazioni), current accounts (conti correnti), loans recoverable on salaries (prestiti su pegno e contro cessione stipendio), loans (mutui), current accounts with sections for special credits (conti correnti con le sezioni speciali), credits abroad (impieghi all'estero), non-Government securities (titoli non di Stato). The figures for 1949 have been rectified in the last *Bollettino* of the Bank of Italy.
Source: *Bollettino* of the Bank of Italy.

BANK CREDITS IN ITALY BY BUSINESS BRANCHES
(millions of lire)

Table F

Business Branches	December 31, 1938		December 31, 1948		December 31, 1949		
	Amount	%	Amount	%	Amount	%	I. N. ('38=1)
1. Personal (and consumer)	4,139	11.82	69,637	6 60	95,241	6.91	23.01
2. Public institutions (institutions for specialised activities)	5,163	14.74	45,975	4.36	59,389	4.31	11.50
3. Banks, exchanges, financial Co.	3,359	9.58	55,856	5.29	64,194	4.66	19.11
4. Insurance Co.	39	0.11	1,669	0.16	2,189	0.16	56.13
Total non commercial clients and financial activities	12,700	36.25	173,137	16.41	221,013	16.04	17.40
5. Land and air transports, inland navigation	351	1.00	14,721	1.40	17,189	1.25	48.97
6. Telephones, telegraphs and posts	88	0.35	1,481	0.14	1,940	0.14	22.05
7. Sea transports	108	0.31	9,197	0 87	12,339	0.89	114.25
8. Electric power	270	0.77	7,867	0.75	5,620	0.41	20.81
9. Gas	12	0.03	699	0.07	1,133	0.08	94.41
10. Water supply	37	0.11	241	0.02	247	0.02	2.83
11. Public entertainments	79	0.23	4,886	0.46	7,777	0.56	98.44
12. Hotels and nursing homes	207	0.59	3,736	0.36	6,920	0.50	33.43
13. Buildings and land-reclamations:							
a) Buildings and public works	2,356	6.73	46,144	4.37	58,969	4.28	25.03
b) Urban real estate Co. and house owners	1,262	3.60	13,927	1.32	19,634	1.42	15.56
c) Land-reclamation	593	1.69	5,088	0.48	6,824	0.49	11.50
Total public works and services	5,393	15.31	108,017	10.24	138,592	10.04	25.70
14. Agriculture:							
a) Farms	2,115	6.04	47,569	4.51	66,204	4.76	31.30
b) Agricultural real estate Co.	161	0.46	18,413	1.75	10,146	0.74	63.02
15. Crude materials trade and agricultural implements	666	1.90	22,764	2.16	34,864	2.52	52.35
16. Cereals:							
a) Thrashing, conservation, grain trade	1,111	3.17	88.471	8.39	114,225	8.24	102.81
b) Milling and edible paste	640	1.83	19,878	1.88	28,907	2.10	45.16
c) Other cereals, dry legumes	173	0.49	15,931	1.51	17,453	1.27	100.88
17. Biscuits, sweetmeats, chocolate	75	0.21	5,181	0.49	6,640	0.48	88.53
18. Wine and liqueurs	543	1.55	30,250	2.87	32,769	2.38	60.34
19. Beer, aerated waters, ice	69	0.20	1,897	0.18	1,913.	0.14	27.72
20. Vegetable oils	277	0.79	24,322	2.31	24,639	1.79	88.94
21. Fresh-fruits and vegetables:							
a) Citrus fruits and by-products	114	0.33	5,331	0.51	7,367	0.53	64.92
b) Other fruits and fresh vegetables	162	0.46	10,426	0.99	14,625	1.06	90.27
22. Vegetable food preserves	120	0.34	8,064	0.76	10,294	0.75	85.78
23. Animal food preserves	83	0.24	3,228	0.31	2,954	0.21	35.60
24. Live animals, meat and eggs	123	0.35	9,217	0.86	8,682	0.63	70.58
25. Fish and preserved fish	76	0.22	6,919	0.66	7,355	0.53	96.77
26. Milk and dairy products	408	1.16	17,244	1.63	22,357	1.62	54.79
27. Sugar	117	0.33	11,144	1.06	5,841	0.42	49.92
28. Groceries	118	0.34	7,984	0.76	13,902	1.01	117.81
29. Other industries and trade in agricultural products	106	0.30	6,317	0.60	8,487	0.62	80.08
30. Retail trade of foodstuffs:							
a) Bread, confectionery	56	0.16	2,173	0.20	2,728	0.20	53.49
b) Fresh meat and fish, eggs and poultry	44	0.13	1,806	0.17	2,028	0.15	46.09
c) Other food products	230	0.66	8,175	0.77	10,078	0.78	46.86
Total agriculture and foodstuffs	7,587	21.66	372,704	35.33	454,458	32.97	59.90
31. Wood and allied products:							
a) Forest concerns, trade and industry in food	405	1.16	17,252	1.64	25,962	1.88	64.10
b) Furniture	105	0.30	5,438	0.52	8,654	0.63	82.41
32. Sulphur	26	0.07	346	0.03	247	0.02	9.50
33. Marble and similar stones	98	0.29	2,129	0.20	2.967	0.20	27.52
34. Products of mines and quarries	115	0.33	3,991	0.38	5,003	0.36	43.40
Carry forward	749	2.15	29,156	2.77	42,563	3.09	56.82

BANK CREDITS IN ITALY BY BUSINESS BRANCHES
(millions of lire)

Table F

Business Branches	December 31, 1938		December 31, 1948		December 31, 1949		
	Amount	%	Amount	%	Amount	%	I. N. ('38 = 1[illegible])
Brought forward	749	2.15	29,156	2.77	42,563	3.09	56.82
35. Lime, cement, bricks and allied products	224	0.64	8,145	0.77	10,657	0.77	47.53
36. Glass	63	0.18	3,940	0.37	5,399	0.39	75.70
37. Ceramics	51	0.15	1,947	0.18	2,649	0.34	51.94
38. Mineral oils	197	0.56	15,934	1.51	24,215	1.76	122.92
39. Coal trade	135	0.39	6,429	0.61	14,255	1.03	105.59
40. Iron	364	1.04	18,206	1 73	27,129	1.97	74.53
41. Non ferrous metals	156	0.45	3,540	0.34	7,342	0.53	47.06
42. Engineering:							
a) Ship-yard	375	1.08	4,817	0.46	7,399	0.54	19.73
b) Vehicles, motors, arms	1,210	3.46	27,504	2.61	28,711	2.08	23.73
c) Other machinery and non electric materials	643	1.84	37,732	3.58	53,089	3.85	82.56
d) Electric machinery and materials	436	1.24	14,656	1.39	19,615	1.42	44.99
43. Chemical:							
a) Fertilizers and anticryptogams	91	0.26	3,473	0.33	4,978	0.36	54.70
b) Coal distilling, dystuffs, explosives	85	0.25	2,867	0.27	3,824	0.28	44.99
c) Pharmaceutical products, soaps, perfumes	179	0.52	12,286	1.16	16,517	1.20	92.27
d) Alchool and tartaric acid	33	0.09	3,411	0.32	3,801	0.27	115.18
e) Rubber	28	0.08	4,994	0.47	3,958	0.29	141.36
f) Other chemical products	172	0.49	8,059	0.76	10,013	0.73	58.21
44. Paper and printing:							
a) Paper, card-board, stationery	194	0.56	7,586	0.72	9,252	0.67	47.69
b) Printing, publishing and allied activities	157	0.45	5,375	0.50	8,245	0.60	52.51
45. Hides and skins:							
a) Tannery	374	1.07	15,130	1.43	20,797	1.52	55.61
b) Shoemaking	135	0.39	7,159	0.68	10,085	0.73	74.70
c) Other manufactured leather and skin products	67	0.19	4,206	0.40	5,499	0.40	82.07
46. Silk and synthetic fibres:							
a) Cocoons	25	0.07	1,008	0.10	816	0.06	32.64
b) Silk reeling and throwing	93	0.27	2,859	0.27	4,087	0.30	43.95
c) Manufactures and spinning of synthetic fibres	46	0.13	1,210	0.11	1,551	0.12	33.72
d) Silk and raion weaving	180	0.51	7,084	0.67	8,112	0.59	45.07
47. Cotton	455	1.30	28,895	2.74	43,527	3.16	95.66
48. Wool	621	1.77	28,721	2.72	38,207	2.77	61.52
49. Hemp, flax and allied products	337	0.96	8,813	0.84	11,238	0.81	33.35
50. Jute	22	0.06	2,718	0.26	2,276	0.16	103.45
51. Textile and clothing industries	308	0.89	20,628	1.96	33,878	2.46	109.99
52. Hosiery and hosiery mills	109	0.31	4,291	0.41	6,616	0.48	60.70
53. Hat-making	42	0.12	1,449	0.14	2,150	0.15	51.19
54. Other industries	172	0.49	13,132	1.24	20,560	1.49	119.53
55. Retail trade of non alimentary products:							
a) Fabrics, articles of clothing, perfumes and medicinals	250	0.76	12,102	1.15	18,057	1.31	72.23
b) Stationery, house furnishing, articles for personal and domestic use	100	0.29	3,289	0.31	4,754	0.34	47.54
c) Engineering and chemical products	75	0.21	3,110	0.29	6,272	0.45	83.63
56. Commercial activities and sundry services, non specialised commercial auxiliary activities	424	1.21	15,285	1.45	21,786	1.58	51.38
Total non alimentary industries and commerce	9,377	26.78	401,146	38.02	564,149	40.95	60.16
Grand Total	35,027	100.00	1,055,004	100.00	1,378,212	100.00	39.35

Source: *Bollettino* of the Bank of Italy.

NOTE CIRCULATION, PRICES, WAGES AND SHARE QUOTATIONS IN ITALY

(Index, 1938=100)

Table G

Year or month	Note Circulation (a)		Wholesale prices (c)		Cost of Living (c)	Wage rates in industry (c)	Share quotations (b)	Fine gold	
	Amount (b) (milliards of lire)	Index	All commodities	Foodstuffs				Price of one gram (lire) (d)	Index
1945 December	389.8	1,732	..	..	2,764	..	517	823	3,165
1947 December	795.0	3,537	5,526	6,196	4,929	5,105	1,206	827	3,180
1948 December	970.9	4,316	5,696	5,969	4,917	5,415	1,416,9	995	3,827
1949 March	900.6	4,000	5,557	5,686	4,980	5.424	1,742.9	1,055	4,057
June	905.4	4,024	5,219	5,416	4,990	5.426	1,526.3	1,035	3,981
September	964.0	4,283	4,910	5,020	4,886	5.455	1,511.8	1,095	4,211
December	1,058.2	4,700	4,747	4,954	4,753	5.791	1,511.3	957	3,680
1950 March	982.9	4,368	4,732	5,081	4,682	5,800	1,480.5	872	3,354
June	994.2	4,419	4,671	5,069	4,823	5.811	1.428.8	775	2,981
July	1,038.9	4,617	4,694	5,123	4,824	5,818	1,374.2	834	3,207
August	1,035.8	4,603	4,913	5.395	4,909	5,820	1,496.4	863	3,319
September	1,049.4	4,664	5,086	5,413	5,007	..	..	855	3.288

(a) End of year or month. Includes: Bank of Italy notes, Treasury notes, and A-M-lire; (b) *Bollettino* of the Bank of Italy; (c) *Bollettino Mensile di Statistica* issued by the Central Institute of Statistics; (d) Business Statistics Centre of Florence.

PRICES AND YIELDS OF ITALIAN SECURITIES BY MAIN CATEGORIES

(annual or monthly averages)

Table H

Year or month	Government Securities								Share Securities	
	Bonds				Treasury Bills		Average			
	Consolidated		Reedemable							
	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)	Price (index number '38=100)	Yield (per cent per annum)
1938	100.0	5.40	100.0	5.37	100.0	5.07	100	5.33	100	5.17
1946	103.3	5.13	112.1	4.78	91.3	5.55	98.2	5.43	781.7	0.45
1947	94.4	5.72	98.1	5.59	73.7	6.88	86.5	6.16	2,235.8	0.64
1948	99.4	5.43	85.8	6.60	89.2	5.93	87.6	6.22	1,319.5	2.31
1949	103.9	5.10	96.1	5.89	94.6	5.59	96.0	5.68	1,517.7	3.97
June	103.7	5.11	97.4	5.81	97.4	5.43	96.8	5.63	1,398.9	4.59
December	106.9	5.05	98.1	5.77	99.2	5.33	98.2	5.55	1,511.3	5.05
1950 March	104.9	5.15	93.1	6.08	90.4	5.85	92.5	5.89	1,480.5	5.31
June	104.9	5.15	95.0	5.96	92.0	5.75	94.5	5.77	1,428.8	5.88
July	105.1	5.14	91.7	6.17	90.4	5.85	92.4	5.90	1,374.2	6.17
August	105.7	5.11	90.7	6.24	89.7	5.90	91.6	5.95	1,496.4	5.67

Source: *Bollettino* of the Bank of Italy.

WHOLESALE PRICES BY GROUPS OF COMMODITIES

(Index, 1938=100)

Table I

Period	All Commodities	Foodstuffs		Textiles	Hides, Skins and Footwear	Raw materials, metal and engineering products	Fuels and lubricants	Chemical raw materials and products	Paper goods	Lumber	Bricks, Lime and Cement	Glass
		Vegetable	Animal									
1947 June	5,329	4,185	9,085	6,988	6,796	5,066	3.592	5.565	9.105	7.741	6.060	4,608
December	5,526	4,393	8,035	6,404	4,953	6,296	4.063	5.815	7 894	6.546	6.309	4,608
1948 June	5,142	4,177	7,085	6,172	4,557	5,851	4.342	5.810	5,560	5.893	6.174	4.889
December	5,696	5,278	7,678	5,996	5,316	5.712	4,432	5.814	5,164	5.571	5.988	4,889
1949 March	5,557	5,149	6,968	6,205	5,162	5.647	4,024	5.835	4.981	5.683	5.977	4.889
June	5,215	4,967	6,469	6,004	4,412	5.373	3.919	5.659	4.650	5.660	6.082	4.889
September	4.910	4,544	6,158	5,772	4,442	5,258	3,771	5,400	4,516	5,634	6,135	4,856
December	4,747	4.493	6.054	5,644	4,112	5,165	3.878	5,314	4,502	5,664	6,239	4,957
1950 March	4,732	4,547	6,379	5,562	3,788	4,870	3,742	5,375	4,374	5,721	6,167	4.928
June	4,671	4,754	5,780	5,539	3,580	4.695	3,631	5,183	4,320	5,648	6,048	4,928
July	4,694	4,783	5,896	5,551	3,573	4,685	3.662	5,234	4,394	5,648	6,045	4,928
August	4,913	4,971	6,451	5,895	3,909	4,848	3,710	5,249	4,508	5,648	6,103	4,928
September	5,086	..	..	6,391	4,673	5,531	3,793	5,289	4,937	5,648	6,099	4,928

Source: Bollettino Mensile di Statistica.

WAGES AND SALARIES IN ITALY

(gross retributions - inclusive of family allowances)

(Index, 1938=100)

Table L

Categories	1948		1949		1950			
	June	Dec.	June (d)	Dec.	March	June	July	August
Industry:								
Specialised workers	4,272	4,497	4,501	4,590	4,918	4,927	4,934	4,938
Skilled workers	4,922	5,187	5,194	5,252	5,582	5,591	5,593	5,596
Ordinary workers and semi-skilled labourers	5,331	5,618	5,630	5,662	5,991	5,998	6,002	6,006
Labourers	5,802	6,134	6,152	6,163	6,495	6,509	6,517	6,523
General index of Industry	*5,135*	*5,415*	*5,426*	*5,471*	*5,800*	*5,811*	*5,818*	*5,820*
Land Transport	*5,003*	*5,299*	*5,305*	*5,679*	*5,675*	*5,683*	*5,722*	*5,734*
Government Civil Employees:								
Group A (a)	2,491	2,851	2,851	2,851	2,851	3,327	3,373	3,373
Group B (b)						3,370	3,424	3,424
Group C (c)	3,550	3,947	3,947	3,947	3,947	4,223	4,223	4,223
Subordinate staff	4,269	4,679	4,679	4,679	4,679	4,928	4,928	4,928
General Index of Government Civil Employees	*3,152*	*3,533*	*3,533*	*3,533*	*3,533*	*3,912*	*3,936*	*3,936*

(a) Administrative grade; (b) Executive grade; (c) Clerical grade; (d) The net remunerations have been reduced since April 1, 1949 as a consequence of the special deduction made for financing the « Fanfani Plan » for housing reconstruction (Act No. of 28-2-1949).

Source: *Bollettino Mensile di Statistica.*

NATIONAL INDEX OF LIVING COST

(1938=100)

Table M

Year or month	All Items	Foodstuffs	Clothing	Heating and lighting	Housing	Miscellaneous
1947 - December	4,929	6,196	6,866	2,393	269	4,359
1948 - June	4,835	6,111	5,993	2,354	363	4,317
» December	4,917	6,149	5,810	3,069	399	4,387
1949 - March	4,980	6,194	5,984	3,058	520	4,500
» June	4,990	6,192	6,019	3,185	532	4,489
» September	4,886	6,004	5,943	3,436	562	4,426
» December	4,753	5,719	5,845	3,464	574	4,502
1950 March	4,682	5,658	5,650	3,429	595	4,586
» June	4,823	5,888	5,544	3,418	595	4,585
» July	4,824	5,844	5,514	3,421	814	4,588
» August	4,909	5,962	5,562	3,433	861	4,614
» September	5,007	6,090	5,693	3,495	869	4,641

Source: *Bollettino Mensile di Statistica.*

UNEMPLOYMENT IN ITALY BY CLASSES (a)

Table N

End of period	Employed persons and pensioners seeking other jobs	Housewives seeking first job	Young people under 21 or ex-servicemen seeking first job	Unemployed formerly employed	Total		
					absolute figures	Index numbers	of which women
1948 - October	77,781	193,810	306,171	1,175,425	1,752,187	100	609,205
» December	87,386	211,671	363,785	1,498,429	2,161,271	123.3	679,502
1949 March	92,973	205,261	395,821	1,440.338	2,133.493	121.8	656,596
» June	83,637	180,406	353,287	1,198.438	1,815,768	103.6	600,483
» September	79,107	159,319	344,801	1,139,348	1,722,575	98.3	561,871
» December	88,833	173,910	405,268	1,387,595	2,055,606	117.3	630,200
1950 March	94,472	172,154	435,383	1,263,570	1,966,234	112.2	608,741
» April	95,647	170,367	434,810	1,255,437	1,956,261	111.6	615,851
» May	90,987	164,831	419,014	1,162,594	1,837,426	104.9	607,151
» June	83,003	145,021	398,044	1,040,781	1,672,849	95.5	560,084
» July	83,721	143,188	406,515	1,074,835	1,708,259	97.5	570,332
» August	84,324	140,311	407,598	1.060,379	1,692,972	96.6	560,889

(a) See Explanatory Notes in n. 8 of this Review (pag. 71, « Unemployment »).

Source: Ministry of Labour.

NATIONAL INCOME, CONSUMPTION, INVESTMENT
(milliards of lire)

Table O

	1938	1947	1948	1949
1. National product at factor cost	117.23	4,954	5,639	5,927
— Private sector	*101.39*	*4,616*	*5,142*	*5,400*
— Public sector	*15.84*	*338*	*497*	*527*
2. Indirect taxes	18.40	466	677	792
3. National product at market prices	135.63	5,420	6,316	6,719
4. Income from abroad and grants	0.31	180	237	166
5. National income	135.94	5,600	6,553	6,885
— Consumption	*120.00*	*5,093*	*5,764*	*5,982*
— Net investment	*15.94*	*507*	*798*	*903*

Source: *Studi sul Reddito Nazionale, Annali di Statistica*, 1950, Istituto Centrale di Statistica.

PERSONAL EXPENDITURE ON ENTERTAINMENTS AND GAMBLING (a)

Table P

Year	Gross National Product	Personal Expenditure on Entertainments and Gambling (a)			
		Total		Movie Pictures	
	Milliards of lire	Millions of lire	% of Nat. Product	Millions of lire	% of Nat. Product
1938	149	—	—	0,567	*0.38*
1947	6,195	58,224	*0.94*	28,472	*0.46*
1948	7,243	82,057	*1.13*	41,977	*0.57*
1949	7,503	102,760	*1.38*	53,393	*0.71*

(a) Mainly sport gambling (foot-ball games).

Source: Società Italiana Autori Editori - S.I.A.E. (Italian Authors and Publishers Association).

ITALIAN INDUSTRIAL PRODUCTION INDEX (a)
(unadjusted - monthly averages, 1938 = 100)

Table Q

Year or Month	General Index	Mining	Manufactures										Electric Power
			Total	Food	Textiles	Lumber	Paper	Metallurgy	Engineering	Non metallic ores	Chemicals	Rubber	
1948 - *Average*	99	82	93	93	96	54	73	87	104	90	93	103	148
1949 - *Average*	105	90	101	111	96	58	91	85	115	96	105	115	136
1950 - January	110	101	105	128	96	57	101	87	118	97	104	135	150
- February	107	95	104	130	99	49	98	84	117	97	96	136	136
- March	121	105	118	135	113	64	109	98	132	125	115	143	148
- April	114	94	110	123	96	62	98	99	124	123	114	123	147
- May	125	104	120	133	107	64	105	114	131	129	126	140	171
- June	118	93	112	118	95	62	103	111	127	130	119	124	172
- July	120	102	114	126	94	65	109	111	131	122	119	133	173
- August	102	89	95	121	71	49	91	103	86	112	119	84	159

(a) We give in this Table the revised series of index numbers on industrial production published by the Central Institute of Statistics beginning from October 1950 issue of his « Statistical Bulletin ». As can be seen, in the new series the food and engineering industries are included, which were not represented in the precedent one. Moreover, the classification of the several items among the different classes and sub-classes of industry has been modified. The principles on which the returns and the calculations are made have, however, not be changed. (See, this Review, n. 8, january-march 1949, pagg. 70-71).

Source: *Bollettino Mensile di Statistica*.

ITALY'S IMPORTS BY COUNTRIES, 1938, 1949 AND 1950, FIRST SIX MONTHS (millions of lire) **Table R**

Countries	1938	% (a)	1949	%	1950	%	% of increase or decrease, 1950 to 1949
IMPORTS - *Total*	*6,110.3*	*100.00*	*467,545.0*	*100.00*	*450,612.0*	*100.00*	— 3.62
Sterling Area - Total (b)	*996.7*	*16.53*	*91,423.6*	*19.69*	*74,836.1*	*16.72*	— *18.14*
Main Countries:							
United Kingdom	388.5	6.45	18,696.1	4.03	26,295.2	5.88	+ 40.65
Australia	99.8	1.65	29,734.1	6.41	14,681.5	3.28	— 50.62
Egypt	87.4	1.45	12,498.3	2.69	7,673.1	1.71	— 38.61
South Africa	56.1	0.93	8,443.5	1.82	5,643.9	1.26	— 33.16
British Malaya	107.2	1.83	4,914.3	1.06	5,373.0	1.20	+ 9.33
India	(c)151.2	2.50	7,376.6	1.59	4,860.1	1.08	— 34.12
Pakistan			1,364.4	0.29	3,128.2	0.69	+ 129.27
Italian Colonies	83.1	1.38	3,390.2	0.73	3,424.3	0.76	+ 1.00
New Zeeland	. .	. .	1,571.4	0.34	1,258.0	0.28	— 19.94
Etiopia	25.7	0.43	1,311.5	0.28	754.9	0.17	— 42.43
Irak	39.7	0.66	301.7	0.06	677.6	0.15	+ 124.59
Dollar Area - Total	*1,085.1*	*17.55*	*208,316.1*	*44.88*	*152,584.8*	*34.12*	— *26.65*
Main Coutries:							
United States	750.7	12.57	178,515.0	38.46	122,240.1	27.33	— 31.52
Brazil	61.6	1.02	7,274.1	1.57	9,738.9	2.18	+ 33.88
Chile	109.0	1.84	3,585.0	0.77	4,860.5	1.09	+ 35.58
Mexico	5.2	0.08	4,273.3	0.92	3,542.5	0.79	+ 17.08
Uruguay	30.9	0.50	3,153.3	0.68	2,353.75	0.53	— 25.36
Canada	18.5	0.30	3,861.3	0.83	1,575.1	0.35	— 59.21
Venezuela	10.6	0.17	1,070.0	0.23	1,503.3	0.34	+ 40.49
Japan	17.8	0.19	41.7	0.009	675.4	0.15	+ 1,519.66
Perù	2.6	0.03	671.2	0.14	145.2	0.03	— 78.37
O.E.E.C. Countries - Total	*(2,954.2)*	*(49.02)*	*(103,789.7)*	*(22.36)*	*(158,028.7)*	*(35.34)*	+ *(52.26)*
Continental O.E.E.C. Countries - Total	*2,554.2*	*42.38*	*84,460.6*	*18.20*	*131,041.1*	*29.30*	+ *55.15*
Germany	1,420 2	23.58	14,271.0	3.07	37,124.2	8.30	+ 160.14
France	131.7	2.18	10,421.4	2.24	20,028.8	4.48	+ 92.19
Belgium-Luxemburg	88.3	1.46	9,322.5	2.01	18,898.1	4.22	+ 102.71
Switzerland	195.2	3.22	13,097.0	2.82	18,068.9	4.04	+ 37.97
Austria	245.6	4.07	11,042.3	2.38	12,484.6	2.79	+ 13.06
Sweden	122.0	2.02	7,604.8	1.64	7,315.0	1.63	— 3.81
Denmark	18.2	0.30	4,539.2	0.99	4,218.1	0.94	— 7.07
Norway	60.4	1.01	2,784.3	0.60	3,453.6	0.77	+ 24.04
Netherlands	54.7	0.90	5,906.6	1.27	3,641.4	0.81	— 38.35
Portugal	18.4	0.30	1,058.3	0.23	2,049.5	0.46	+ 93.76
Greece	62.3	1.03	2,312.2	0.50	1,964.7	0.44	— 15.03
Turkey	137.2	2.27	2,101.0	0.45	1,794.2	0.40	— 14.60
East Europe - Total	*678.3*	*11.25*	*25,250.6*	*5.44*	*23,008.1*	*5.14*	— *8.88*
Poland	145.6	2.41	10,918.1	2.35	6,624.3	1.48	— 39.33
U.S.S.R.	6.2	0.01	361.5	0.08	4,629.7	1.03	+ 1,180.69
Yougoslavia	78.5	1.30	5,274.7	1.14	4,571.3	1.02	— 13.34
Czechoslovachia	158.1	2.61	5,188.6	1.12	3,795.6	0.85	— 26.83
Hungaria	108.6	1.80	1,689.4	0.36	3,110.3	0.69	+ 84.1
Bulgaria	46.8	0.77	1,077.1	0.23	221.3	0.05	— 79.45
Rumania	134.5	2.23	741.2	0.16	54.6	0.01	— 92.63
Other Countries - Total	*712.9*	*11.82*	*54,703.9*	*11.78*	*65,717.6*	*14.68*	+ *12.01*
Main Countries:							
Argentina	149.0	2.47	24,551.9	5.29	22,663.8	5.07	— 17.61
Arabia	. .	. .	5,690.8	1.23	9,812.5	2.19	+ 72.43
Iran	29.4	0.48	8,080.0	1.74	8,549.1	1.91	+ 5.80
Tunisia	42.2	0.70	1,531.9	0.33	4,349.5	0.97	+ 183.93
Syria	11.8	0.17	643.9	0.14	2,454.7	0.55	+ 281.22
Morocco	65.7	1.08	1,234.1	0.26	2,295.6	0.51	+ 86.01
Finland	68.4	0.11	1,036.1	0.22	2.118.1	0.47	+ 104.43
Spain	95.8	1.58	2,562.4	0.55	838.2	0.19	— 67.29
Algeria	11.9	0.18	228.8	0.04	601.5	0.13	+ 162.89
Indonesia	54.2	0.88	774.6	0.17	434.9	0.10	— 43.12
Lebanon	(d)	—	541.2	0.12	378.7	0.08	— 30.03
China	16.8	0.02	1,656.6	0.36	339.9	0.08	— 79.42

(a) These percentages have been calculated on the total exclusive of the trade with Italian colonies.
(b) The total « Sterling Area » is exclusive of the trade with Italian colonies.
(c) Included in India. (d) Included in Syria.

ITALY'S EXPORTS BY COUNTRIES, 1948, 1949 AND 1950, FIRST SIX MONTHS
(millions of lire)

Table S

Countries	1938	% (a)	1949	%	1950	%	% of increase or decrease, 1950 to 1949
EXPORTS - *Total*	*5,170.0*	*100.00*	*316,641.0*	*100.00*	334,989.0	100.00	+ 5.79
Sterling Area - Total (b)	*750.1*	*18.35*	*96,785.7*	*30.75*	*87,852.9*	26.32	— 9.23
Main Countries:							
United Kingdom	261.5	6.40	27,689.6	8.80	37,433.5	11.22	+ 35.19
Egypt	106.3	2.60	16,776.8	5.33	12,240.6	3.67	— 27.04
Australia	40.6	0.99	3,493.5	1.11	8,342.9	2.50	+ 135.95
British Malaya	9.6	0.23	3,867.9	1.23	4,294.6	1.29	+ 11.03
Pakistan	(c) 58.1	1.42	12,446.5	3.95	4,261.9	1.28	— 65.76
India			12,667.4	4.02	4,148.2	1.24	— 67.25
South Africa	51.7	1.26	1,993.4	0.63	3,659.7	1.10	+ 83.59
Irak	22.6	0.55	4,272.2	1.36	3,325.8	0.99	— 22.15
British East Africa	3.0	0.07	1,397.6	0.44	1,309.2	0.39	— 6.33
British West Africa	12.0	0.29	2,715.3	0.86	1,286.2	0.38	— 52.63
Italian Colonies	1,082.9	26.50	1,859.2	0.59	1,268.3	0.38	— 31.78
Malta	11.2	0.27	1,720.1	0.55	893.4	0.27	— 48.06
Aden	0.5	0.01	1,548.8	0.49	593.8	0.18	— 61.66
Ethiopia	144.6	3.54	637.0	0.20	327.0	0.09	— 48.67
Dollar Area - Total	*608.4*	*1.49*	*30,622.9*	*9.72*	*36,031.4*	10.80	+ 17 66
Main Countries:							
United States	385.1	0.94	12,540.7	3.98	15,760.0	4.72	+ 25.61
Brazil	51.2	1.25	5.436.9	1.73	4,006.1	1.20	— 26.32
Venezuela	20.5	0.50	3,182.2	1.01	3,121.8	0.93	— 1.90
Mexico	14.5	0.35	1,080,5	0.34	2,396.5	0.72	+ 121.80
Canada	17.1	0.42	1,987.70	0.63	1,575.0	0.47	— 20.76
Uruguay	31.5	0.77	1,597.0	0.51	1,428.6	0.43	— 10.55
Chile	30.4	0.74	929.0	0.29	522.4	0.16	— 43.77
Japan	9.5	0.23	613.0	0.19	140.1	0.04	— 77.15
O.E.E.C. Countries - Total	*(2,187.0)*	*(53.51)*	*(127,964.5)*	*(40.65)*	*(173,098.5)*	*(51.87)*	+ *(13.51)*
Continental O.E.E.C. Countries - Total	*1,820.5*	*44.54*	*99,513.3*	*31.61*	*134,862.9*	*40.41*	+ *35.52*
France	161.2	3.94	11,307.6	3.59	34,094.3	10.22	+ 201.53
Germany	871.7	21.33	25,014.4	7.95	25,107.1	7.52	+ 0.37
Switzerland	235.4	5.76	17,176.2	5.46	21,973.8	6.58	+ 27.93
Austria	114.9	2.81	8,809.4	2.80	11,661.2	3.49	+ 32 37
Belgium-Luxemburg	60.4	1.48	7,982.6	2.53	9,377.4	2.81	+ 17.47
Sweden	72.6	1.78	7,182.3	2.28	8,857.7	2.65	+ 23.32
Netherlands	76.2	1.86	5,919.3	1.88	4,891.6	1.46	— 17.36
Denmark	29.6	0.72	3,732.4	1.18	4,726.2	1.42	+ 26.63
Greece	100.7	2.46	3,200.1	1.02	4,424.4	1.32	+ 38.26
Norway	63.3	1.55	5,413.4	1.72	4,327.7	1.30	— 20.06
Turkey	28.9	0.71	2,703.9	0.86	3,891.1	1.16	+ 43.95
Portugal	15.6	0.38	1,072.6	0.34	1,530.4	0.46	+ 42.78
East Europe - Total	*402.9*	*9.86*	*21,473.7*	*6.82*	*29,015.2*	*8.69*	+ *35.12*
Yougoslavia	110.9	2.71	7,061.4	2.24	8,663.4	2.60	+ 22.70
U.S.S.R.	0.4	0.01	3,276.8	1.04	7,968.2	2.39	+ 143.17
Poland	61.7	1.51	4,304.7	1.37	5,665.7	1.70	+ 29.29
Czechoslovachia	69.0	1.69	3,993.4	1.27	3,513.7	1.05	— 12.01
Hungaria	65.4	1.80	1,873.9	0.59	1.887.8	0.56	+ 0.74
Bulgaria	35.2	0.86	774.1	0.24	927.4	0.28	+ 28.85
Rumania	60.3	1.47	190.4	0.06	489.0	0.15	+ 156.83
Other Countries - Total	*497.20*	*12.16*	*66,385.8*	*21.08*	*45,958.3*	*13.77*	— *30.79*
Main Countries:							
Argentina	232.1	5.68	46,096.7	14 64	26,408.2	7.91	— 42 71
Israel	9.8	0.23	1,084.0	0.34	2,874.9	0.86	+ 165.21
Finland	17.3	0.42	889.8	0.28	2,717.2	0.81	+ 205.37
Syria	19.4	0.47	2,477.2	0.79	1,893.8	0.57	— 23.55
Spain	62.1	1.52	2,049.7	0.65	1,228.7	0.37	— 40.06
Iran	1.9	0.05	2,381.8	0.76	1,126.0	0.34	— 52.73
Algeria	5.20	0.13	688.5	0.22	944.0	0.28	+ 44.37
Lebanon	(d)	—	300.7	0.09	862.4	0.26	+ 186.80
Morocco	21.5	0.51	970.6	0.31	657.8	0.20	— 32.23
Indonesia	18.9	0.46	454.4	0.14	454.2	0.14	— 0.04
Tunisia	7.3	0.18	371.3	0.11	350.0	0.10	— 5.74
China	5.9	0.14	1,206.5	0.38	72.6	0.02	— 94.00
Giordania	(e)	—	(e)	—	8.5	0.002	—

(a) These percentages have been calculated on the total exclusive of the trade with Italian Colonies.
(b) The total « Sterling Area » is exclusive of the trade with Italian colonies.
(c) Included in India. (d) Included in Syria. (e) Included in Israel.

Table T

CAPITAL, SHARE PRICES, AND DIVIDENDS OF ITALIAN COMPANIES QUOTED ON STOCK EXCHANGES (a)

	Companies (a)	Face Capital at September 30, 1950 (thousands of lire)	Nominal value of shares at September 30, 1950 (lire)	Price of shares at September 30, 1950 (b) (lire)	1949 dividend (c) (lire)	Percentage of 1949 dividend on nominal value (d)	Percentage of 1949 dividend on price at September 30, 1950
	Financial and insurance						
1	Assicurazioni Generali	4,000,000	2,000	5,615	160	8	2.85
2	Finsider	14,400,000	500	490	42.50	8.50	8.67
3	G.I.M. (Soc. Gener. Industrie Metallurgiche)	360,000	500	1,670	50	10	2.99
4	Industrie Agricole Ligure Lombarda	1,530,000	2,000	6,930	250	16.67	3.60
5	Soc. Ital. Strade Ferrate Meridionali	10,296,000	1,000	2,268	75	7.50	3.31
6	La Centrale	5,250,000	3,000	7,030	240	8	3.41
7	La Fondiaria Incendio	150,000	125	560	25	20	4.46
8	L'Assicuratrice Italiana	150,000	500	700	30	6	4.28
9	Soc. Naz. Sviluppo Imprese Industriali	3,000,000	500	600	30	6	5.00
10	Pirelli & C.	288,000	100	922	30	30	3.25
11	Riunione Adriatica di Sicurtà	2,400,000	1,250	1,640	60	4.80	3.66
12	S.T.E.T. (Soc. Torinese Esercizi Telefonici)	11,000,000	2,000	2,840	150	7.50	5.28
	Textile						
13	Chatillon	5,500,000	1,000	2,350	100	10	4.25
14	Cotonificio Cantoni	1,200,000	1,000	15,900	450	45	2.83
15	Cotonificio F.lli dell'Acqua	48,300	100	18,000	—	—	—
16	Cotonificio Ligure	40,000	500	3,420	60	12	1.75
17	Cotonificio Valle Ticino	720,000	100	367	—	—	—
18	Cotonificio V. Olcese	2,000,000	1,000	4,000	150	15	3.75
19	Cucirini Cantoni Coats	2,000,000	1,000	7,260	200	20	2.75
20	De Angeli Frua	3,000,000	3,000	4,830	225	7.50	4.65
21	Filatura Cascami Seta	840,000	4,000	6,970	150	23.08	2.15
22	F.I.S.A.C. (Fabbriche Italiane Seterie e Affini)	630,000	200	546	40	40	7.32
23	Lanificio Feltrificio Scotti	60,000	40	116	2	5	1.72
24	Lanificio Gavardo	315,000	300	4,990	100	100	2.23
25	Lanificio Rossi	750,000	1,000	6,700	200	20	2.98
26	Lanificio Targetti	250,000	100	320	17.50	17.50	5.47
27	Lanificio Canapificio Nazionale	3,400,000	500	1,266	70	17.50	5.53
28	Manifatture Lane Borgosesia	375,000	1,000	11,150	500	83.33	4.48
29	Manifattura Rossari Varzi	500,000	1,000	19,380	500	50	2.58
30	Manifattura Rotondi	198,000	3,000	14,800	400	40	2.70
31	Manifattura Tosi	200,000	1,250	4,150	150	25	3.61
32	Manifatture Cotoniere Meridionali	1,080,000	600	1,835	80	13.33	4.36
33	Snia Viscosa	16,800,000	1,200	2,830	200	16.67	7.06
34	Tessiture Seriche Bernasconi	480,000	400	365	20	5	5.48
35	Unione Manifatture	61,600	1,000	192,000	1,000	100	5.21
	Electrical						
36	Soc. Adriatica Elettricità	28,000,000	1,000	915	35	7	3.82
37	C.I.E.L.I. (Comp. Impr. Elettriche Liguri)	16,000,000	2,000	2,083	105	5.25	5.04
38	Dinamo - Soc. Ital. Imprese Elettriche	5,000,000	2,000	2,005	100	5	4.98
39	Soc. Edison	75,000,000	2,000	1,928	90	4.50	4.67
40	Soc. Elettrica Bresciana	6,000,000	2,000	1,975	110	5.50	5.57
41	Soc. Elettrica della Campania	990,000	1,000	2,080	80	8	3.85
42	Soc. Elettrica Sarda	2,500,000	2,000	3,043	140	7	4.60
43	Soc. Elettrica Selt-Valdarno	7,000,000	2,500	3,910	200	8	5.11
44	Soc. Emiliana di Esercizi Elettrici	5,600,000	2,000	1,880	90	4.50	4.79
45	Esticino (già Soc. Elettr. Basso Milanese)	1,800,000	1,000	990	55	11	5.55
46	Soc. Gen. Elettr. della Sicilia	7,500,000	2,000	2,169	140	7	6.45
47	Soc. Gen. Pugliese di Elettricità	1,500,000	1,000	1,368	80	8	5.85
48	Soc. Idroelettrica Piemonte	26,650,000	1,000	1,025	70	7	4.97

(a) Of about 20.000 Italian Joint Stock Companies only 211 list their securities on the Exchanges. The official list of the Milan Stock Exchange records quotations of 118 shares, of which only 80-90 are regarded as « active ».

(b) Official closing prices of the Milan Stock Exchange, except for a few shares quoted on other Stock Exchanges and not in that of Milan.

(c) 1949 business year.

(d) The nominal value to which the percentage refers, is that resulting at the end of 1949 business year and does not necessarily coincide with figure stated in column 1 (September 30, 1950), owing to the monetary revaluation of share face value carried out later by some companies.

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	Companies (a)	Face Capital at September 30, 1950 (thousands of lire)	Nominal value of shares at September 30, 1950 (lire)	Price of shares at September 30, 1950 (b) (lire)	1949 dividend (c) (lire)	Percentage of 1949 dividend on nominal value (d)	Percentage of 1949 dividend on price at September 30, 1950
49	Soc. Lucana Imprese Idroelettriche	360,000	750	1,680	60	8	3.57
50	Soc. Meridionale di Elettricità	20,160,000	800	875	42	7	4.82
51	Officine Elettriche Genovesi	4,500,000	2,000	1,810	100	5	5.37
52	Orobia	10,000,000	1,000	1,004	65	9.75	6.47
53	Ovesticino	5,000.000	1,000	988	58	5.80	5.87
54	Piemonte Centrale di Elettricità	2,046,000	300	375	24	8	6.40
55	Soc. Romana di Elettricità	7,000,000	2,500	3,835	160	8	4.17
56	Unione Esercizi Elettrici	4,000,000	400	482	32	8	6.67
57	Vizzola - Soc. Lombarda per distribuzione elettrica	10,640,000	2,000	2,820	160	8	5.67
	Communications, Water and Gas						
58	Soc. dell'Acqua Pia Antica Marcia	1,320.000	1,000	1,140	50	5	4.38
59	Acquedotto De Ferrari Galliera	1,575,000	350	619	24	6.86	3.88
60	Soc. per la Condotta di Acque Potabili	880,000	2,000	2,725	100	5	3.67
61	D. Tripcovich & C. - Soc. Navigazione Rimorchi e Salvataggi	225,000	2,000	6,350	350	17.50	5.51
62	Soc. Ferrovie Nord Milano	416,740	500	2,010	—	—	—
63	Ferrovie Torino Nord	600,000	100	110.25	5	5	4.53
64	Italcable - Serv. Cablografici Radiotelegrafici e Radioelettrici	2,800,000	2,000	2,970	100	10	3.37
65	Soc. Italiana Condotte d'Acqua	500,000	250	387	20	8	5.17
66	Soc. Italiana Gas	11,000,000	20	23.625	1	5	4.23
67	Soc. Italiana Strade Ferrate del Mediterraneo	774.333	1,500	2,245	60	4	2.67
68	Liquigas	1,050,000	200	679	40	20	5.88
69	Navigazione Alta Italia	375,000	2,000	7,090	400	20	5.64
70	Soc. Strade Ferrate Secondarie Meridionali	1,200,000	1,250	1,580	75	6	4.75
71	Soc. Telefonica Tirrena	5,400,000	2,000	2.785	280	7	1.00
72	A.N.I.C. - Azienda Nazionale Idrogenazione Combustibili	7,200,000	100	185.50	12	12	6.47
73	Soc. Elettrica Elettrochimica del Caffaro	643,125	250	495	50	20	1.01
74	Mira Lanza	810,000	1,350	2,340	120	8.99	5.13
75	Monte Amiata - Soc. Mineraria	656,000	400	920	40	10	4.35
76	Montecatini - Soc. Gen. per l'Industria Mineraria e Chimica	30,000,000	500	869	60	12	6.90
77	Rumianca	3,000,000	50	45	2.50	5	5.55
78	S.A.F.F.A. - Soc. Fabbr. Fiammiferi e Affini	1,000,000	100	706	22	22	3.12
79	S.I.O. - Soc. Industria Ossigeno e altri Gas	300,000	200	765	30	15	3 92
80	Stabilimenti Chimici Farmaceutici Riuniti Schiapparelli	67,500	150	562	25	25	4.45
81	Stabilimento Minerario del Siele	494,208	300	853	40	40	4.69
82	Talco Grafite Val Chisone	600,000	3,000	8,200	300	10	3.67
	Minerals, Metals and Engineering						
83	Ansaldo	3,725,000	200	200	—	—	—
84	Cantieri Riuniti dell'Adriatico	200,000	100	124	—	—	—
85	Comp. Ital. Westinghouse Freni e Segnali	420,000	350	400	30	8.57	7.50
86	Dalmine	3,000,000	500	1,130	75	15	6.64
87	Ercole Marelli & C.	1,000,000	500	509	40	8	7.86
88	Edoardo Bianchi - Fabbrica Automobili e Velocipedi	1,344,000	100	137.50	10	10	7.27
89	F.I.A.T.	24,000,000	400	468	25	12.50	5.34
90	Franco Tosi	1,818,913	250	172	—	—	—
91	Ilva	5,000,000	200	205	14	7	6.83
92	Ernesto Breda - Soc. Ital. per Costruzioni Meccaniche	1,125,000	300	105	—	—	—
93	La Magona d'Italia	1,000,000	1,000	3,150	220	22	6.98
94	Soc. Metallurgica Italiana	900,000	1,000	2,190	75	15	3.42
95	Soc. Monteponi	1,200,000	250	1,136	60	24	5.28

(a) (b) (c) (d) See foot-notes on page 212.

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	Companies (a)	Face Capital at September 30, 1950 (thousands of lire)	Nominal value of shares at September 30, 1950 (lire)	Price of shares at September 30, 1950 (b) (lire)	1949 dividend (c) (lire)	Percentage of 1949 dividend on nominal value (d)	Percentage of 1949 dividend on price at September 30, 1950
96	Soc. Nazionale delle Officine di Savigliano	1,000,000	500	450	40	8	8.89
97	Soc. Nebiolo	1,800,000	200	84	15	7.50	17.85
98	Officine Elettroferroviarie Tallero	450,000	150	210	15	10	7.14
99	Officine Moncenisio - già Anon. Bauchiero	420,000	1,000	1,110	100	10	9.01
100	Pignone	1,000,000	500	505	—	—	
101	Reggiane - Officine Meccaniche Italiane	4,000,000	500	40	—	—	—
102	S. Giorgio - Soc. Industriale	499,999	150	75		—	—
103	Tecnomasio Brown Boveri	800,000	500	685	50	10	7.29
104	Terni - Soc. per l'Industria e l'Elettricità	10,500,000	200	212	12	6	5.66
105	Whitehead Moto-Fides - Stabilimenti Meccanici Riuniti	400,000	200	200	—	—	—
	Foodstuffs						
106	Distillerie Italiane	1,467,000	750	1,760	80	10.67	4.50
107	Eridania - Zuccherifici Nazionali	3,300,000	2,750	9,650	400	14.55	4.14
108	Soc. Ital. per l'Industria degli Zuccheri	2,700,000	1,500	11,825	600	17.14	5.07
109	Soc. di Macinazione Molini Certosa	24,000	75	1,020	60	80	5.88
110	Esercizio Molini (già Molini Alta Italia)	502,000	1,000	1,003	80	8	7.98
111	Molini Antonio Biondi	60,000	200	885	30	15	3 39
112	Molini e Pastificio Pantanella	400,000	100	252	12	12	4 76
113	Motta - Soc. per l'Industria Dolciaria e Alimentare	500,000	2,000	2,080	60	6	2.88
114	Romana Zucchero	480,000	300	598	10	3.33	1.67
115	Esercizio Molini (già Semoleria Italiana)	502,000	1,000	1,240	80	8	6.45
116	Venchi Unica - Soc. Prod. Dolciari e Affini	312,480	50	107	—		—
117	Zuccherificio di Sermide	250,000	1,000	4,980	150	15	3.01
118	Zuccherificio del Volano	315,600	750	1,850	80	10.67	4.32
	Agricultural and Real Estate						
119	Soc. Bonifica Terreni Ferraresi	1,000,000	500	700	25	5	3.57
120	Comp. Italiana dei Grandi Alberghi	2,700,000	1,000	1,500	80	8	5.37
121	Eternit - Pietra Artificiale	892,500	100	196	12	12	6.21
122	Fondi Rustici - Soc. Agricola Industriale Italiana	850,000	1,000	1,330	65	65	4.89
123	Soc. Garboli	300,000	500	592	—	—	—
124	Soc. Generale Immobiliare	5,800,000	250	327	18	7.20	5.50
125	Istituto Romano Beni Stabili	3,415,250	2,500	4,300	125	12.50	2.91
126	Italcementi - Fabbriche Riunite Cementi	4,000,000	1,000	4.315	—	—	—
127	La Milano Centrale	562,500	1,500	3.790	40	53.33	1.05
128	Soc. per il Risanamento di Napoli	648,000	1,350	5,565	81	6	1.45
129	Silos di Genova - Magazzini Generali Sbarchi ed Imbarchi di Cereali e Semi	36,000	200	7,435	200	100	2.69
	Sundry						
130	Cartiera Italiana	500,000	1,000	1,530	70	7	4.57
131	Cartiere Burgo	2,400,000	1,000	3,400	175	35	5.15
132	Soc. Ceramica Richard Ginori	810,000	250	1,050	60	24	5.71
133	Concerie Italiane Riunite	400,000	500	1,450	100	44.44	6.90
134	Industria Nazionale Cavi Elettrici	600,000	100	127	6	6	4.72
135	Soc. Ital. dei Forni Elettrici e dell'Elettrocarbonium	14,000	175	4,000	80	45.71	2.00
136	La Rinascente - Soc. per l'Esercizio di Grandi Magazzini	1,000,000	25	42	2	8	4.76
137	Soc. del Linoleum	580,000	100	151	10	10	6.62
138	Manifattura Ital. C. Pacchetti	200,000	200	374	25	12.50	6.68
139	Pirelli - S. p. A.	12,000,000	500	943.50	50	10	5.30
140	Superga - Fabbriche Riunite Industria Gomma	945,000	125	75	—	—	—

(a) (b) (c) (d) See foot-notes on page 212.